Alberta Gaming and Liquor Commission

ANNUAL REPORT

2007

AGLC
Alberta Gaming and Liquor Commission

ALBERTA LOTTERY FUND

A Crown corporation, the Alberta Gaming and Liquor Commission (AGLC) is an agent of the Government of Alberta and operates under the *Gaming and Liquor Act*.

Our structure includes:

- A seven-member Board that reports through the Chairman to the Minister responsible for the *Gaming and Liquor Act*, and
- An administrative arm with eight divisions that manages the day-to-day operations of the organization.

In December 2006, the Government of Alberta was reorganized. The Solicitor General and Minister of Public Security was assigned responsibility for the *Gaming and Liquor Act*. Previously, this responsibility was assigned to the Minister of Gaming.

The AGLC Board develops policy, conducts hearings, and makes licensing and registration decisions to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit the people of the province. It also ensures the powers and duties of the commission are appropriately carried out through the Chief Executive Officer.

The Chief Executive Officer of the AGLC's administration reports to the Board.

The AGLC's role — through its Board and operating arm — is to administer the *Gaming and Liquor Act*, Regulation and related policy. The AGLC is responsible for regulating Alberta's charitable gaming activities and conducting and managing provincial gaming activities. It also controls the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.

Our Mission

The mission of the AGLC is to ensure that gaming and liquor activities in Alberta are conducted with integrity and social responsibility, and maximize long-term economic benefits for Albertans.

Our Vision

A province that strives to balance choice and social responsibility in its gaming and liquor industries, uses revenues derived from these activities for the benefit of Albertans, and provides opportunity for competition and enhanced service in its gaming and liquor industries.

Our Guiding Principles

- The integrity of gaming and liquor activities will be ensured.
- Gaming and liquor policies will reflect a commitment to social responsibility.
- Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
- The collection and use of gaming and liquor revenue will be open and accountable.
- Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help keep gaming dollars in Alberta.
- Alberta's liquor industry will continue to be among the most progressive and competitive in the country and will continue to lead the nation in terms of supply, distribution, pricing and customer service.
- The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

Our Values

- Act with integrity and in a fair and impartial manner.
- Balance social responsibility and economic benefit.
- Foster clear, open and courteous communications with stakeholders.
- Achieve excellence in customer service.
- Nurture a working environment that is characterized by teamwork, collaboration, and open communication.
- Embrace innovation and continuous improvement in our products, services, and business processes.
- Serve as responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta.

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Table of Contents

ALBERTA LOTTERY FUND

Year at a Glance **2**

Highlights **4**

Message from the Chairman **6**

The AGLC Board **8**

Members of the Board **10**

Message from the Chief Executive Officer **12**

Who We Are and What We Do **13**

Organization Chart 14

Our Purpose and Structure 15

The Year in Review **23**

Report of the Auditor General 24

Performance Results at a Glance 25

Liquor **29**

2006-07 Highlights 30

Performance Results 36

Gaming **41**

2006-07 Highlights 42

Charitable Gaming 47

Tickets, Slots, VLTs and Electronic Bingo 49

Performance Results 52

Financial Statements — Alberta Gaming and Liquor Commission **63**

Auditor's Report 64

Balance Sheet 65

Statement of Operations 66

Statement of Cash Flows 67

Notes to the Financial Statements 68

Financial Statements — Alberta Lottery Fund **77**

Auditor's Report 78

Balance Sheet 79

Statement of Revenue, Expenditure and Fund Equity 80

Notes to the Financial Statements 81

Year at a Glance

Financial Highlights ($ millions)

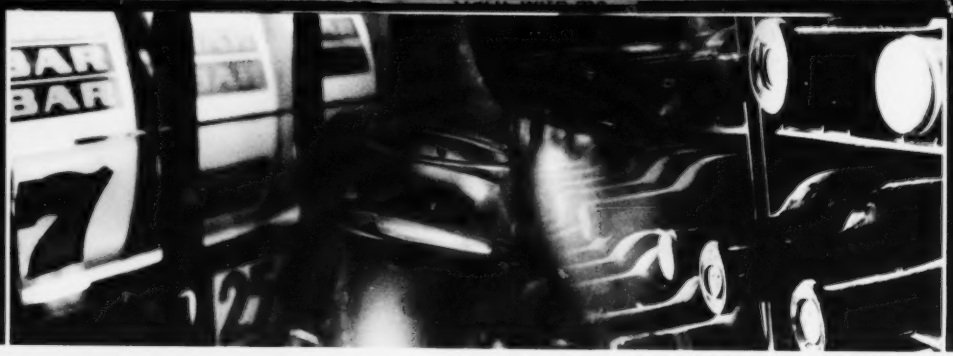
	2006-07	2005-06	2004-05	2003-04	2002-03
Gross sales	**$ 26,165**	$ 23,683	$ 21,966	$ 19,817	$ 18,328
Net profit					
Liquor	**662**	603	570	559	535
VLTs	**735**	695	635	577	594
Slot machines	**699**	606	549	479	405
Electronic bingo	**8**	6	5	3	-
Tickets	**227**	205	183	172	175
Other revenue	**18**	13	13	13	14
Operating expenses	**(157)**	(142)	(129)	(121)	(99)
Net operating results	**2,192**	1,986	1,826	1,682	1,624

The AGLC regulates charitable gaming in the province. Except for licensing and registration fees, proceeds (revenues less expenses) go directly to the charities that conduct the events.

Charitable Gaming Proceeds ($ millions)

	2006-07	2005-06	2004-05	2003-04	2002-03
Casinos	**$ 198**	$ 172	$ 147	$ 133	$ 122
Bingos	**30**	35	41	44	46
Raffles	**34**	34	42	39	30
Pull ticket sales	**8**	7	8	10	8
	270	248*	238	226	206

* Figure has been re-stated.



ALBERTA LOTTERY FUND

Liquor

	2006-07	2005-06	2004-05
Liquor licences by class			
Class A (open to the public)	**5,085**	5,160	5,201
Class B (facilities where people pay an entrance fee or buy a ticket)	**500**	492	498
Class C (private clubs)	**780**	783	779
Class D (retail outlets that sell liquor for off-premises consumption)	**1,769**	1,743	1,713
Class E (liquor manufacturers)	**20**	20	17
Private retail liquor stores (included in Class D above)	**1,056**	1,027	994
General merchandise liquor stores (included in Class D above)	**88**	94	92
Liquor products available	**13,455**	12,965	12,537
Liquor sales by volume (in hectolitres)			
Spirits	**243,505**	223,546	208,709
Wine	**288,445**	260,400	235,062
Coolers and cider	**146,765**	133,886	134,966
Beer	**2,643,122**	2,447,587	2,363,630
	3,321,837	3,065,419	2,942,367

Gaming

	2006-07	2005-06	2004-05
Gaming venues			
Licensed bingo facilities	**44**	47	52
Charitable casino facilities	**19**	17	16
Racing Entertainment Centres (RECs)	**3**	3	3
Ticket lottery centres	**2,310**	2,280	2,173
VLT retailers and video gaming entertainment centres	**1,060**	1,079	1,110
Charitable gaming licences issued			
Bingo	**1,265**	1,262 *	1,371
Casino	**3,259**	2,904	2,893
Pull ticket	**295**	228	314
Raffle	**296**	327	294
Transfer to the Alberta Lottery Fund ($ millions)	**$ 1,534**	$ 1,389	$ 1,260

* Figure has been re-stated.

Highlights

Government Reorganization and AGLC Reorganization

On December 15, 2006, the Government of Alberta announced a re-organization that included the dissolution of the former Ministry of Gaming and the transfer of its functions to other Alberta Ministries.

Responsibility for the regulation of the liquor and gaming industries remained with the Alberta Gaming and Liquor Commission (AGLC), which now reports to the Solicitor General and Minister of Public Security.

As a result of the government reorganization, some portions of this report will detail the AGLC organizational structure prior to and following the reorganization.

Modernizing Board Governance

The Board of the AGLC continued its work on a comprehensive three-year initiative to modernize the Board's governance model. The new model will assist the Board in achieving a gold standard in Board governance and includes:

- Clearly separating the Chair and CEO functions;
- Establishing three Board committees: audit, finance, and corporate governance and stakeholders; and
- Creating an internal audit function.

Being Responsible

2006-07 saw many achievements for the Social Responsibility Division, including:

- In conjunction with Alberta Alcohol and Drug Abuse Commission (AADAC), the introduction of one additional Responsible Gambling Information Centre (RGIC) in Alberta casinos, bringing the total to three;
- The implementation of the new Automated Teller Machine (ATM) policy, to encourage responsible play, requiring ATMs to be a minimum of 15 feet from the VLT set up;
- The evaluation of the Voluntary Self Exclusion (VSE) Program. It was hailed as the most comprehensive of its kind in North America;
- Providing Alberta Server Intervention Program (ASIP) training free to all non-profit groups and delivering training programs in their local communities;
- The implementation of a policy requiring at least one server per shift per licensed room to be ASIP certified;
- The launch of the Minors Awareness Campaign for lottery ticket retailers. Directed at lottery ticket retailers and their staff, the purpose of the campaign was to remind retailers about the AGLC's policy on minors and gambling.

New Casinos Open in Alberta

The AGLC works closely with organizations who are planning new gaming facilities to ensure the integrity of the gaming industry. Two new casinos opened during 2006-07. In October, the 1st First Nation casino, the River Cree Resort and Casino, opened. The River Cree Resort and Casino is located on the Enoch Cree Nation, west of Edmonton. The River Cree Resort and Casino includes a hotel, conference centre, several restaurants, and ice rinks. It is part of a growing trend towards "destination gaming" where casinos are part of larger complexes including hotels and other entertainment options.

In November, the Century Casino opened in Edmonton. The Century Casino includes several restaurants and bars, a show lounge, and a hotel.

Ticket In/Ticket Out

Coin-less slot machines (called TITO — Ticket In/Ticket Out) were implemented in all Edmonton casinos and Racing Entertainment Centres (RECs) during 2006-07. The remaining slot machines in the province will be converted by summer 2008. Standardized cash management practices, to enhance gaming integrity, have been introduced with the new coin-less slot machines. The TITO technology also benefits players in a number of ways. For example, players do not need to handle buckets of coins or wait as slot machines are serviced when they run out of coins.

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Violence In and Around Licensed Premises – A Roundtable

The Alberta Roundtable on Violence In and Around Licensed Premises explored the issue of violence within the context of bars, nightclubs, and other licensed premises. The Roundtable defined issues and set priorities for addressing them.

On August 16, 2006, the Report of the Alberta Roundtable on Violence In and Around Licensed Premises was released. The report affirms that comprehensive training, sound operating policies and procedures, effective legislation, and consistent enforcement can all play a role in preventing violence and addressing its causes. The report is available on the AGLC website at **www.aglc.gov.ab.ca**.

The AGLC Board approved an action plan for addressing the suggestions arising from the Alberta Roundtable on Violence In and Around Licensed Premises. The action plan includes: conducting research to better understand the problem; identifying best practices for addressing the problem; information sharing amongst stakeholders; and community mobilization.

2006 Premier's Award of Excellence

Strategic Planning Process Wins Premier's Award of Excellence

A winner of a Bronze Premier's Award of Excellence in October 2006, the joint Ministry of Gaming and AGLC strategic planning process fully integrates environmental scanning, risk assessment, operational planning, and budgeting.

The strategic planning process began in 2000 with the formation of a cross-divisional business planning team. The next four years were spent continually improving the strategic planning process, resulting in the development of a collaborative business planning process based on best practices. All AGLC staff are provided with a copy of the AGLC business plan which has resulted in a high proportion of AGLC staff fully understanding how the work they do contributes to achieving the overall goals of the organization.

The AGLC's strategic planning process has allowed the AGLC to consistently develop top quality business plans reflecting the AGLC's commitment to achieving a balance between choice and social responsibility in the gaming and liquor industries.

Liquor Supply Chain Review

A review of the distribution of liquor product to licensees from the Connect Logistics Services (CLS) warehouse and the receipt of liquor product from suppliers and agents was conducted during 2006-07. The review was conducted by an independent third party and focused on the liquor warehousing and distribution supply chain in Alberta, with a view to proposing resolutions to the supply chain issues facing the provision of spirits, wine, coolers and imported beer in Alberta.

The report recommendations were accepted in full by the AGLC Board and work began immediately on the recommendations. The report also acknowledged that Alberta's privatized liquor distribution model has worked well, meeting the original policy objectives established in 1993 when the system was privatized.

Message from the Chairman

The Alberta Gaming and Liquor Commission (AGLC) Board continued its efforts during this second year of its three-year initiative to modernize the Board's governance model. The Board continued to rigourously pursue the goal of ensuring that the AGLC is a leader in adopting new and innovative best practices for effective governance, transparency and accountability, in short to be the gold standard of good governance by an Alberta Crown Corporation.

Following its annual Board governance planning session where the Board prepared its three-year Board governance calendar, the Board conducted its annual strategic planning session during the first quarter. This was followed with the three-year business planning session conducted jointly with the Executive Team from the Administration of the AGLC. The Board's Finance Committee continued to work with the CEO and Administration in preparing the 2007-08 operating plan and budget for the Board's approval in the third quarter.

The Board's Corporate Governance and Stakeholders Committee began the implementation of a comprehensive stakeholders' engagement strategy with an extensive consultation with the Bingo Industry. These Board consultations involved ten sessions held in various parts of the Province to discuss outstanding issues with the Bingo Industry.

During the first quarter all Board members signed off on a Code of Conduct and Ethics. This was followed by the Board establishing a further disclosure statement on an annual basis regarding conflict of interest.

The Board's Audit Committee was successful in the hiring of a Director of Internal Audit. This new Internal Audit Office will report directly to the Audit Committee ensuring complete independence from Administration.

A Memorandum of Understanding (MOU) was signed by the Minister and the Board on May 30, 2006, making clear government's expectations concerning the roles, responsibilities, policy direction and performance expectations that the AGLC is expected to achieve. Also, in May 2007, the Board finalized a board governance handbook. The AGLC's *Board Governance Handbook* documents the processes and structures that have been put in place to ensure that effective governance practices are followed by the AGLC.

All three Board Committees—Audit, Finance and Corporate Governance and Stakeholders—have their respective committee plans and calendars in place. The Board continued to review and update Board operational policies. Also, Board members continued to be provided with opportunities for learning and networking in order to strengthen their knowledge of good board governance, administrative justice and the gaming and liquor industry. The Board began work on developing a monitoring/executive information strategy for the AGLC. The Board conducted its annual Board assessment, Board hearing evaluation and assessment, and Board member peer-to-peer assessments.

Lastly, the Board completed a hearing panel manual to help guide Board members as they conduct their hearings.

As can be seen, it has been a full and productive year for the Board as it advanced its modernizing board governance agenda.

The Board looks forward to completing this three-year task next year with further advances that will bring the AGLC Board to a gold standard of modern board governance.

Finally, on behalf of the Board, I would like to again thank all the staff for their excellent presentations and professional demeanor when they have appeared before the Board.

Original signed by

Julian Nowicki, Chairman of the Board

The AGLC Board

Top row (left to right)
Lynn Faulder, Al Evans,
Guy Mathieu, Sandy Dougall

Bottom row (left to right)
George Russill, Julian Nowicki,
Patty Whiting

The responsibilities of the AGLC Board are set out in Section 12 of the *Gaming and Liquor Act*.

These responsibilities include:

- Ensuring that the powers and duties of the AGLC are appropriately carried out;
- Establishing the policies of the AGLC; and
- Conducting hearings and making decisions respecting licences and registrations.

Specifically, the Board of the AGLC has three major areas of responsibility in its governance role for the Corporation:

- Policy responsibilities;
- Regulatory responsibilities, as exercised through Administrative Tribunals; and
- Monitoring responsibilities.

Policy Responsibilities. The Board has a significant role to play in developing policy and in advising the Minister of Gaming (until December 2006) and the Solicitor General and Minister of Public Security (after December 2006) on policy matters. The Board has become engaged earlier and more intensively in the process of policy development both through the strategic planning process and through consultation with stakeholders and partners. The Board will review input and actively seek input according to the strategy laid out in the stakeholders' consultation and implementation plan. The Board will still receive policy direction from the Minister responsible for the AGLC and, in turn, provide policy recommendations to the Minister.

Regulatory Responsibilities. The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board of the AGLC functions as an Administrative Tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, develops and applies policies and rules, and makes decisions on gaming and liquor licences and registrations.

When conducting hearings, the Board of the AGLC has the powers, privileges and immunities of a commissioner under the *Public Inquiries Act*. As a result, the Board may hold an inquiry into any matter related to the *Gaming and Liquor Act*.

On the regulatory side of its responsibilities, the Board of the AGLC has a reporting accountability to the Minister.

Monitoring Responsibilities. In its monitoring responsibilities, the Board of the AGLC is primarily concerned with ensuring that management performs its duties. The Board ensures that appropriate monitoring and control systems are also in place to ensure the integrity of financial reports. The primary vehicle for performing this function is the Board's Audit Committee.

In addition, the Board of the AGLC oversees and monitors the administration of the AGLC by the Chief Executive Officer (CEO). The CEO ensures that policies of the Board are implemented and advises and informs the Board on the operating affairs of the AGLC.

The Board of the AGLC has also established an office of Internal Audit. The Director of Internal Audit within the AGLC functionally reports to the Audit Committee and administratively reports to the CEO.

The Director of Internal Audit operates under a mandate approved by the Audit Committee. The independence of the Director of Internal Audit is assured by the Audit Committee having the responsibility for the hiring, compensation and performance reviews of the Director. The Audit Committee also has a direct relationship with the Auditor General for the Province of Alberta.

Members of the Board

Julian Nowicki, Chairman

Julian Nowicki was appointed Chair of the Board of the AGLC on December 1, 2004. This is his second posting with the AGLC.

Julian's career with the Provincial Government spans 40 years, beginning in 1966 in Alberta Lands and Forests, Provincial Parks Division. After he completed his Master of Arts in Geography at the University of Alberta, he began to work full-time for Alberta Lands and Forests. From there he moved to the Department of Environment and Alberta Culture, Youth and Recreation.

In 1988 he was appointed Deputy Minister of Alberta Recreation and Parks. He went on to be Deputy Minister of Solicitor General, Alberta Community Development and Chair, CEO and Deputy Minister of the AGLC. In 1999, he was appointed Deputy Minister of Executive Council of Alberta.

Alexander (Sandy) Dougall

Sandy Dougall was appointed to the Board of the AGLC in November 2002 and has served as Chair of the Board's Audit Committee since 2003.

Born and educated in Scotland, where he launched his banking career, Sandy has held a variety of senior management positions in retail and business banking.

He now divides his time between working as a consultant and volunteering with community and non-profit organizations. He is a member of the Chinook Rotary Club.

Sandy has served on the Calgary Health Region Board of Directors since 1998.

Alexander (Al) Evans

Al Evans was appointed to the Board of the AGLC in November 2002. He has served on the Board's Audit Committee since January 2003, has been a member of the Board of the Western Canada Lottery Corporation since June 2004 and a member of the Inter-provincial Lottery Corporation since October 2004. He is also a member of the Board's Finance Committee.

Effective June 1, 2006 Al was appointed a member of the Board of the Alberta Foundation of Administrative Justice.

He has a strong background in management accounting and has completed various courses in project management and corporate and public supervisory management. He holds a certificate in automotive technology from the Southern Alberta Institute of Technology and is a Dale Carnegie graduate.

Before retiring, Al spent 34 years in the petroleum industry, 14 years of which were spent as a senior financial coordinator for a major oil company.

Lynn M. Faulder

Lynn Faulder was appointed to the Board of the AGLC on November 5, 2003. She is currently the Chair of the Board's Corporate Governance and Stakeholders Committee. She previously served a 2-year term on the Board's Audit Committee.

Lynn chairs the Edmonton Appeal Panel for the Assured Income for the Severely Handicapped, Widows' Pension and Aids to Daily Living programs. She is a member of the roster of public members appointed to hear appeals and conduct Hearings under the *Health Professionals Act*.

Lynn is a recent graduate of the Institute of Corporate Directors.

She is a former director of the Royal Alexandra Hospital Foundation and has held executive positions with the Edmonton Federation of Community Leagues. Lynn holds a nursing diploma and has worked as a surgical staff nurse.

Guy Mathieu, Q.C.

Guy Mathieu was appointed to the Board of the AGLC in May 2005. He was appointed to the Board's Audit Committee in November 2005 and is a member of the Corporate Governance and Stakeholders Committee.

Guy is a retired lawyer. Prior to his retirement he was a senior partner in the largest law firm in the Peace River region.

He is currently an active member of the Mighty Peace Petroleum Association, the Chamber of Commerce, the Peace River Rotary Club and the Knights of Columbus, among others.

George Russill

George Russill was appointed to the Board of the AGLC in November 2002. He is a member of the Board's Finance Committee and the Board's Corporate Governance and Stakeholders Committee.

George is active in community affairs and has served on various local boards and committees. He recently completed a four-year term as a member of the Provincial Court Nominating Committee.

For the past 18-years he has served as a municipal councillor for Cypress County.

George operates a cattle ranch in Cypress Hills, a community in the south-eastern corner of the province.

Patricia (Patty) Whiting

Patty Whiting was appointed to the Board of the AGLC in June 2001. She is currently the Chair of the Board's Finance Committee.

She served on the Board of the Western Canada Lottery Corporation from January 2003 to June 2004.

Patty is the president of Whiting Enterprises, a property development and investment company and was formerly Vice-President of International Business Development at Amtech Chemicals Ltd.

Patty's work experience includes positions with the Workers' Compensation Board and Alberta Public Safety Services. She has served as the Chair of the Minister's Advisory Council on Occupational Health and Safety and is a member of the Kids Kottage Foundation.

Message from the Chief Executive Officer

Alberta has the fastest growing economy in Canada. It is not surprising, with Alberta's hot economic climate and with the number of Albertans increasing daily, that the gaming and liquor industries are also growing. The AGLC is committed to ensuring that with this unprecedented growth and evolution of the gaming and liquor industries that any actions taken by the AGLC ensure that both integrity and social responsibility are prime considerations.

In an effort to provide innovative and socially responsible gaming and liquor activities, the AGLC undertook a number of key initiatives in 2006-07. The AGLC, together with the Solicitor General and Ministry of Public Security, led two separate consultation sessions of the Alberta Roundtable on Violence In and Around Licensed Premises. These consultations illustrate our commitment to identifying the sources of violence in our communities and developing plans and actions designed to help provide safe and secure communities.

In 2006, the unexpected growth in volumes of liquor received by and distributed from the St. Albert liquor warehouse operated by Connect Logistics caused significant bottlenecks in the liquor supply chain. While these bottlenecks caused little concern to the consumer, suppliers, agents and retailers felt their effects. As a result, the AGLC contracted third party experts to conduct a review of the liquor supply chain to come forward with recommendations to strengthen the province's liquor delivery system. The recommendations from the consultant's report – posted on our website – have been accepted by the Board of the AGLC and we are presently implementing those recommendations.

In 2006, the first Alberta First Nation casino became operational. On October 26, 2006, the River Cree Casino and Resort commenced operations. This casino is one of several First Nation casinos which have been approved and will become operational over the next several years. These casinos are important opportunities for Alberta's First Nations to participate in Alberta's vibrant gaming market.

In 2006-07, over $1.5 billion was transferred to the Alberta Lottery Fund. These funds are used to support thousands of volunteer, public and community-based initiatives. The Alberta Lottery Fund has a tremendously positive impact on your community and, directly or indirectly, touches your life in many ways. Alberta's unique charitable gaming model also provides opportunities for charitable and religious groups to raise funds for their many worthwhile causes and endeavours. In 2006-2007 over $270 million was raised by these charitable groups through licensed gaming events.

Our liquor industry also made significant financial contributions to the province. In 2006-2007, over half a billion dollars was transferred to the General Revenue Fund from provincial liquor mark-up and licensing and registration fees.

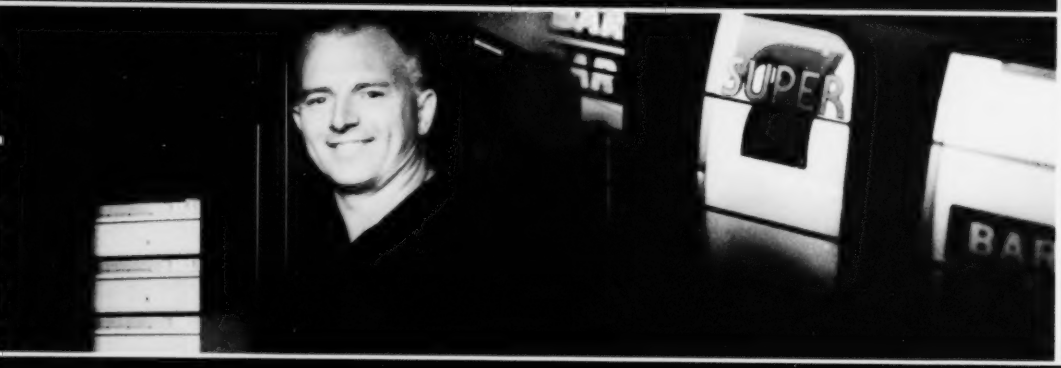
One of our major assets at the AGLC is our employees. The AGLC's success in maintaining the integrity of the gaming and liquor industries in an innovative and socially responsible manner is directly attributed to its dedicated and hard-working staff. I would like to take this opportunity to thank all AGLC staff for their commitment and hard-work throughout this very exciting and challenging year.

On July 27, 2007, I will be retiring from the AGLC. Over the last 16 years, I have seen the gaming and liquor industries grow and evolve in Alberta and around the world. These changes have brought their challenges but these challenges have all been met by the hardworking and dedicated staff of the AGLC and our stakeholders. I would be remiss if I didn't recognize our stakeholders for their contribution to our success. I have appreciated the opportunity to work with the dedicated representatives of these industries over the years and believe that we have established a better gaming and liquor landscape in Alberta as a result of our cooperative efforts. I wish you all the best in meeting your future challenges.

Original signed by

Norman C. Peterson
Chief Executive Officer

WHO WE ARE AND WHAT WE DO



2007

Who We Are and What We Do

ORGANIZATION CHART

ALBERTA
LOTTERY FUND

OUR PURPOSE AND STRUCTURE

The AGLC was an organization within the Ministry of Gaming until December 2006. Following the government reorganization, the AGLC reports to the Solicitor General and Minister of Public Security. The AGLC operates under the authority of the *Gaming and Liquor Act*. Our structure includes:

- A seven-member Board that is appointed by the government and reports, through the Chairman, to the Minister responsible for the *Gaming and Liquor Act*. The Board develops policy, conducts hearings, and makes licensing and registration decisions to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit the people of the province. It also ensures the powers and duties of the commission are appropriately carried out through the Chief Executive Officer.

- An administrative arm with eight divisions that manages the day-to-day operations of the organization. The Chief Executive Officer of the AGLC's administration reports to the Board. This structure ensures that policy implementation is consistent and that operations run seamlessly and efficiently.

The AGLC's role – through its Board and operating arm – is to administer the *Gaming and Liquor Act*, Regulation and related policy. The AGLC is responsible for regulating Alberta's charitable gaming activities and conducting and managing provincial gaming activities. It also controls the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.

The AGLC manages and controls the growth of Alberta's gaming and liquor industries responsibly and with integrity. This means that all industry players compete on a level playing field where the rules are fair, clear and consistently applied. It means that sound policy and effective regulation work hand in hand with monitoring and enforcement. It means a commitment to working in partnership with charities and private businesses to deliver high quality services to the public. And it means a commitment to excellence, openness and accountability.

Through all its activities, the AGLC generates revenue for the province and the people of Alberta. It contributes to the growth of Alberta's economy, the prosperity of its communities, and well-being and quality of life for its citizens.

- While the AGLC works hard to maximize the long-term economic benefits of liquor and gaming, it takes its social responsibilities even more seriously. The AGLC sponsors education and awareness programs – both for the public and for industry staff. It supports research about gambling and addictions. It's a partner in the province's beverage container recycling program. And perhaps most importantly – it ensures that its operations, policies and programs reflect the values of Albertans.

- Albertans have the right to make choices and take responsibility for their own affairs. The AGLC provides Albertans with a wide range of gaming entertainment options as well as information to help people make informed decisions. It provides gaming and liquor products in secure, licensed venues. It works hard to protect minors, and it respects the rights of communities to make decisions that reflect local interests.

In all its decisions, the AGLC maintains integrity and weighs social responsibility against Albertans' right to personal choice and against the economic benefits generated by liquor and gaming.

Who We Are and What We Do

FLOWS OF FUNDS

The AGLC enables charitable and religious groups to fund raise through licensed charitable gaming events. In 2006-07, participating organizations received $270 million for their worthwhile programs and projects. In addition, the AGLC generates revenue for the Alberta Lottery Fund through conducting and managing provincial gaming and for the General Revenue Fund by collecting mark-ups on liquor products sold in Alberta. These activities are all conducted under the umbrella of integrity, social responsibility and the right to personal choice.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (CEO) is responsible for the overall operations of the AGLC, as set out in Section 18(2) of the *Gaming and Liquor Act*.

THE ADMINISTRATION

The administrative arm of the AGLC includes 731 employees located in St. Albert (the head office), Calgary, Grande Prairie, Lethbridge, Red Deer, and Stettler. It has eight divisions:

- Regulatory
- Liquor Supply and Distribution
- Social Responsibility
- Gaming Products and Services
- Information Systems
- Communications
- Human Resources
- Corporate Services

ALBERTA LOTTERY FUND

REGULATORY DIVISION

The Regulatory Division consists of four branches: the Licensing and Charitable Gaming Branch, the Inspections Branch, the Forensic Audit Branch, and the Investigations Branch.

The **Licensing and Charitable Gaming Branch** is directly involved in every detail of the licensing, registration and reporting processes for Alberta's liquor and gaming operations. It registers liquor suppliers, gaming workers and gaming equipment suppliers. It issues licences for the sale of liquor, for charitable gaming activities and for gaming facilities such as casinos and bingo halls. Through the Eligibility Unit, it provides information, counsels charitable organizations about their licence eligibility and helps applicants make their way through the licensing process. The Branch also ensures that charitable groups receive the gaming proceeds they are entitled to, and that they spend the proceeds in an approved manner.

The licensing and registration requirements of the *Gaming and Liquor Act* protect the public by ensuring compliance with federal, provincial and municipal legislation.

Individuals, non-profit groups or companies must be licensed by the AGLC to:

- Own or operate gaming facilities such as casinos, bingo halls, Racing Entertainment Centres (RECs) or other temporary or permanent venues where gaming is permitted
- Conduct or manage gaming events such as bingos, casino table games, raffles or pull-ticket sales
- Manufacture, sell, store or serve liquor

Individuals and companies must be registered with the AGLC to:

- Be "gaming workers" (as defined in the *Gaming and Liquor Act*)
- Make, sell, advertise or distribute gaming equipment and supplies
- Represent a liquor supplier in the sale of the supplier's liquor

The **Inspections Branch** is responsible for conducting regular, on-site inspections to ensure that liquor licensees, registrants and gaming operations across the province comply with legislation and policy. Licensed gaming events are monitored for compliance including bingos, casinos, raffles, and pull-tickets. Bingo and casino operations are inspected by staff with specialized training in the complexities of these types of gaming. If violations are observed, staff complete a report that documents their findings and provides the basis for possible disciplinary action by the Board of the AGLC.

The incident reports filed about non-compliant liquor establishments typically concern the following areas:

- Failing to request proof of age from patrons who appear to be under 25
- Selling liquor to minors or allowing minors in age-restricted facilities
- Serving liquor to intoxicated patrons
- Serving liquor after hours
- Failing to provide proper supervision and control
- Selling illegal liquor

For non-complying gaming operations, most infractions relate to:

- Using gaming proceeds for inappropriate purposes
- Conducting raffles or pull-ticket sales in contravention of licence terms

Who We Are and What We Do

REGULATORY DIVISION CONTINUED

The **Forensic Audit Branch** provides ongoing monitoring to maintain the financial integrity of Alberta's gaming industry. Ongoing monitoring through audits ensures that gaming proceeds are used for AGLC-approved purposes and that gaming operations and record-keeping processes comply with the requirements of legislation and policy. The ultimate goals are to prevent fraud, protect the interests of the gaming industry and its patrons, ensure that Albertans receive the full extent of their gaming proceeds entitlement and keep the criminal element out of the province's gaming industry. The Branch's Due Diligence Unit conducts criminal and financial background investigations on new and existing gaming facility applicants, suppliers of gaming equipment and gaming workers, including casino advisors and raffle ticket managers to ensure that persons/entities involved in the gaming industry in Alberta meet our stringent integrity requirements. The Branch's First Nation Audit Unit works closely with the Host First Nation Charities to ensure that they are disbursing their gaming funds in accordance with AGLC policies. The unit also works closely with the Lottery Funding Programs branch of the Ministry of Tourism, Parks, Recreation and Culture to ensure both Host and non-Host First Nations are disbursing their First Nation Development Fund grant monies pursuant to the Nation's approved grant application.

The **Investigations Branch** works with police services and other government ministries to investigate Criminal Code offences related to gaming in the province. The Branch's Gaming Investigation Team (GIT) takes a cross-jurisdictional approach to deterring crime in the gaming industry. The team includes staff seconded from Alberta Justice and Attorney General, and major Alberta police services. It deals with theft, fraud, cheating at play, afterhours poker clubs, illegal gaming machines, money laundering, loan sharking, bookmaking and other crimes that affect both licensed and unlicensed gaming activities. The Branch also investigates liquor and tobacco-related offences.

LIQUOR SUPPLY AND DISTRIBUTION

The Liquor Supply and Distribution Division was created in response to the Liquor Supply Chain Review that was completed in 2006-07. The Division's ongoing role will be to monitor and manage the Liquor Supply Chain ensuring controlled, efficient, and effective supply of liquor products to Albertans. The Division also ensures compliance with customs and excise legislation, revenue collection and inventory control at all Alberta liquor and beer warehouses. Through this Division, the AGLC actively participates in Alberta's beverage container management and operations.

ALBERTA
LOTTERY FUND

SOCIAL RESPONSIBILITY

The AGLC ensures the delivery of gaming and liquor products is consistent with public expectations and provides benefits for Albertans. Programs and projects related to responsible gambling and the responsible use of alcohol are an important part of the AGLC's operations. The Social Responsibility Division is responsible for coordinating these efforts.

Social responsibility must be shared among all the key players, including government, stakeholders and patrons and can only be achieved through partnerships and collaborative relationships. The AGLC partners with the Alberta Alcohol and Drug Abuse Commission (AADAC) and works closely with key gaming and liquor stake-holders to develop provincial strategies that promote healthy choices and the responsible use of gaming and liquor products. Examples include the Problem and Responsible Gambling Strategy (2005) and the Alberta Alcohol Strategy which is currently under development.

Program delivery and evaluation is an integral part of the Social Responsibility Division's mandate. Examples of these programs include: the Alberta Server Intervention Program (ASIP), responsible gambling training programs for gaming industry workers (Casino – "Deal Us In"; VLT – "Winning Moments"; Bingo – "A Good Call"), Responsible Gambling Information Centre (RGIC) kiosks manned by trained responsible gambling consultants and the Voluntary Self-Exclusion (VSE) program for patrons of Racing Entertainment Centres (RECs) and casinos who need help to control their gambling behaviour.

The Social Responsibility Division also works with post-secondary institutions and other stakeholders to identify gaming and research priorities, including social impact studies on gambling. It conducts research on topics that range from gaming and liquor policy development in other jurisdictions to the effectiveness of responsible gambling awareness training programs, gambling harm prevention and education initiatives, warning labels on liquor containers, violence in bars, binge drinking, youth drinking and more. Its work provides valuable background for the development of social responsibility initiatives across the province.

To enhance effectiveness and efficiency – as well as to get the most value out of existing resources – the AGLC partners with a variety of other organizations, including government ministries, other government commissions, police services, municipalities, post-secondary institutions, industry associations and other government-sponsored organizations such as the Alberta Alcohol and Drug Abuse Commission (AADAC).

Consultation with stakeholders and members of the public also helps ensure that the programs and activities of the AGLC reflect the values of Albertans. For more information, refer to the AGLC's website at **www.aglc.gov.ab.ca**.

AGLC
Alberta Gaming and Liquor Commission

2006-07 marked the 10th anniversary of the Alberta Gaming and Liquor Commission (AGLC).

The AGLC was created on July 15, 1996 and combined the responsibilities and operations of the Alberta Liquor Control Board, Alberta Lotteries, the Alberta Gaming Commission, Alberta Lotteries and Gaming, and the Gaming Control Branch.

Who We Are and What We Do

GAMING PRODUCTS AND SERVICES

Under Canada's Criminal Code, only provincial governments can conduct ticket lotteries and electronic gaming. The Gaming Products and Services Division manages the province's gaming and retail networks and the gaming product mix. It is also responsible for procuring, managing and maintaining thoroughly tested, properly functioning, state-of-the-art equipment for Alberta's gaming industry.

The AGLC owns or leases all the equipment used in the province's gaming venues – including slot machines, VLTs, ticket lottery terminals and electronic bingo units. This equipment is housed by authorized retailers who are paid a commission for their services. Retailers' obligations are outlined in retailer agreements between the AGLC and the retailer.

The Division provides the posters, product information and signage that retailers need for their operations. It tests all gaming equipment before it is installed in the field. It manages installations and provides product and equipment-related training to gaming industry staff. It provides on-site technical support to ensure the province's electronic gaming equipment is kept in good repair. It operates the AGLC's Hotline, which is a Stettler-based call centre where gaming retailers can phone for information or get help if they have trouble with their equipment.

New product development, analysis and testing are other functions of the Gaming Products and Services Division.

Staff keep abreast of changes in the marketplace and regularly change the mix of games and introduce new games in response to player demand.

*In 2007, Muriel Grimble, Executive Director, Gaming Products and Services, was recognized by her peers across the country for her significant contribution to the gaming industry, when she received the **2007 Canadian Gaming Association Industry Leadership and Outstanding Contribution Award**. Muriel's passion for the gaming industry is boundless. Since 1982, Muriel has played a large role in all major gaming initiatives in Alberta and is recognized across Canada as a tireless leader in the development of the gaming industry.*

ALBERTA
LOTTERY FUND

INFORMATION SYSTEMS

Cutting edge information and communications technology underlies all of the operations of the AGLC. It's the competitive advantage that lets the AGLC do its work faster, better and more effectively.

The four Branches of the Information Systems Division provide the technology that supports the AGLC's liquor and gaming operations and its corporate business.

The **Application Development and Support Branch** develops and maintains specialized computer applications that keep the AGLC's day-to-day business on track. For example, stages in the approval of gaming and liquor licences and registrations are monitored and tracked in computerized management systems. Liquor imports are tracked in a specialized customs and excise system. Parts for repair of slot machines in casinos across the province are tracked in an inventory management system. Still another system collects daily inventory and sales information from the province's liquor warehouses. Since all these data collection processes are computerized, AGLC staff have ready access to up-to-date business information.

The **Operations Branch** almost never sleeps; the data centre in St. Albert runs 24 hours a day, seven days a week, for 364 days a year (every day except Christmas). The data centre is the heartbeat of the AGLC's operations. It monitors and provides disaster recovery services for the specialized electronic gaming systems that track the minute-by-minute operations of video lottery terminals, slot machines and electronic bingo devices.

The **Network Services Branch** manages a "wide area" telecommunications network that securely connects the AGLC's data centre with more than 1,100 gaming facilities across Alberta. The Branch provides hardware, software and telecommunications services for AGLC staff across the province including the critical Hotline that provides assistance to gaming retailers.

The **Microcomputer Services Branch** manages a secure network of computers, printers and servers in all of the AGLC's corporate offices, at liquor warehouses and at gaming facilities. The Branch provides and supports the desktop software that helps AGLC staff be more productive.

COMMUNICATIONS

The Communications Division supports the AGLC's commitment to communicating with internal and external stakeholders on key business activities and initiatives. It also provides Albertans and key stakeholder groups with up-to-date information on AGLC programs and initiatives through a variety of communications vehicles including websites, news releases and fact sheets. The Communications Division acts as the AGLC liaison and spokesperson with local, provincial and national media and monitors public opinion to better understand Albertans' expectations and priorities to develop effective AGLC communications strategies.

Who We Are and What We Do

HUMAN RESOURCES

The Human Resources Division plans, develops and delivers all human resource programs, policies and practices for the AGLC and promotes the alignment of strategic human resource initiatives with business goals.

The Division manages the delivery of human resource services in the areas of staffing, job evaluation, employee relations, workplace health, performance management, employee recognition, attraction, retention initiatives and collective bargaining. The Division works with the AGLC to implement performance and career planning initiatives, recruitment and staff retention strategies, and provides staff with opportunities for continuous learning and leadership development.

The AGLC's team takes pride in its work. Year after year, knowledgeable and accomplished employees deliver exceptional service to clients and members of the public. Their commitment to excellence is reflected in the high satisfaction ratings they receive from liquor and gaming industry clients.

CORPORATE SERVICES

The Corporate Services Division ensures the province's share of liquor and gaming proceeds is collected, and administers the flow of funds from the AGLC's safekeeping to the provincial General Revenue Fund and the Alberta Lottery Fund. It analyzes market factors and studies the liquor pricing system to establish the provincial mark-up and the wholesale price for liquor.

The Division is also responsible for strategic policy, business planning, performance measurement, financial planning and coordination, and Freedom of Information and Protection of Privacy services for the AGLC.

It also manages the AGLC's purchasing and contract system, payroll and payment processes, property management, and information security.

THE YEAR IN REVIEW

2007

The Year in Review

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Alberta Gaming and Liquor Commission

Management is responsible for the integrity and objectivity of the performance results included in the *Alberta Gaming and Liquor Commission's 2006–2007 Annual Report*. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in the Alberta Gaming and Liquor Commission 2006–2009 Business Plan. Actual results are presented for all performance measures.

Reliability

2. Information in reports that originated in the Commission matched information used to calculate the actual results. In addition, I tested the processes used to compile the results.

Comparability and Understandability

3. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

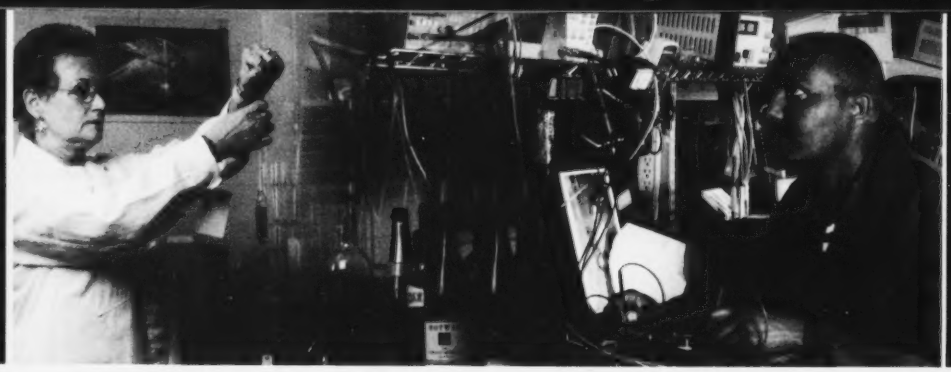
I found no exceptions when I performed these procedures.

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Commission in achieving its goals.

Fred J. Dunn

Edmonton, Alberta
October 12, 2007

FCA
Auditor General



ALBERTA
LOTTERY FUND

PERFORMANCE RESULTS AT A GLANCE

The AGLC's measures assess its performance relating to its three core businesses:

1. **License and regulate liquor activities;**
2. **License and regulate charitable gaming activities; and**
3. **Conduct and manage provincial gaming activities.**

The performance measures provide quantifiable information expressed as a percentage to:

- Assess and report on progress and achievement;
- Identify what is working well; and
- Identify areas where performance needs improvement.

Following is a summary of the performance results for 2006-07, compared to the previous four years, where data is available. The AGLC met or exceeded its 2006-07 performance targets for 10 of the 13 measures. The performance targets are challenging – as they should be. We are confident we are meeting the expectations of Albertans as we strive to meet all of the targets.

The Year in Review

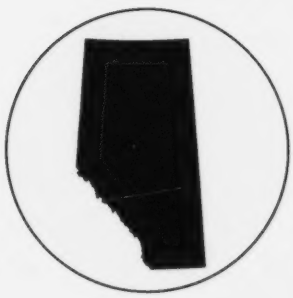
CORE BUSINESS ONE: License and regulate liquor activities

GOAL ONE Liquor activities are conducted with integrity and in a socially responsible manner

	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage of liquor licensees who comply with legislation, regulations and policy.	95.5%	93.8%	93.3%	Comparative not available	
Percentage of Albertans surveyed who are satisfied that liquor is provided in a responsible manner.	94.5%	93.1%	93.0%	Comparative not available	

GOAL TWO Liquor licensing activities are effective and efficient

	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage of liquor licences and registrations completed within established timeframes.	100%	100%	99.5%	99.4%	98.8%
Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.	83.0%	94.0%	95.0%	94.0%	92.0%



The amount of liquor that was put through the Connect Logistics warehouse in 2006-07, if laid back to back in its cases, would circle the entire perimeter of Alberta more than once!

ALBERTA
LOTTERY FUND

CORE BUSINESS TWO: License and regulate charitable gaming activities

GOAL THREE Charitable gaming activities are conducted with integrity and in a socially responsible manner

	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage of charitable gaming activities that are conducted in accordance with legislation, regulation and policy.	99.4%	99.5%	99.5%	Comparative not available	
Percentage of charitable gaming financial reports produced within established timeframes.	85.9%	62.3%	Comparative not available		
Percentage of Albertans surveyed who are satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.	94.8%	93.9%	94.8%	Comparative not available	

GOAL FOUR Charitable gaming licensing activities are effective and efficient

	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage of charitable gaming licences and registrations completed within established timeframes.	99.4%	98.9%	98.9%	98.6%	98.3%
Percentage of charitable gaming licensees who are satisfied with the level of service provided by the AGLC.	94.0%	95.0%	96.0%	97.0%	95.0%

The Year in Review

CORE BUSINESS THREE: Conduct and manage provincial gaming activities

GOAL FIVE — The availability and delivery of gaming products and activities are balanced with consumer demand, social responsibility, and economic benefit to Albertans

	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage of Albertans satisfied with the availability of gaming products and activities.	73.0%	70.0%	72.0%	Not measured	
Percentage of Albertans surveyed who are satisfied that the provincial gaming activity they participated in was provided fairly and in a responsible manner.	90.8%	90.0%	89.6%	Comparative not available	

GOAL SIX — Gaming operations are effective and efficient and conducted with integrity

	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage of retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries.	98.0%	99.0%	97.0%	98.0%	98.0%
Percentage of gaming integrity issues resolved within established timeframes.	93.1%	90.0%	95.4%	96.2%	97.6%

LIQUOR

2007

Liquor

Gross profit from liquor sales in 2006-07 was $662 million, compared to $603 million the previous year. On March 31, 2007 there were 13,455 different liquor products available, compared to 12,965 the previous year. This four per cent increase shows that Albertans continue to have more and more product choices.

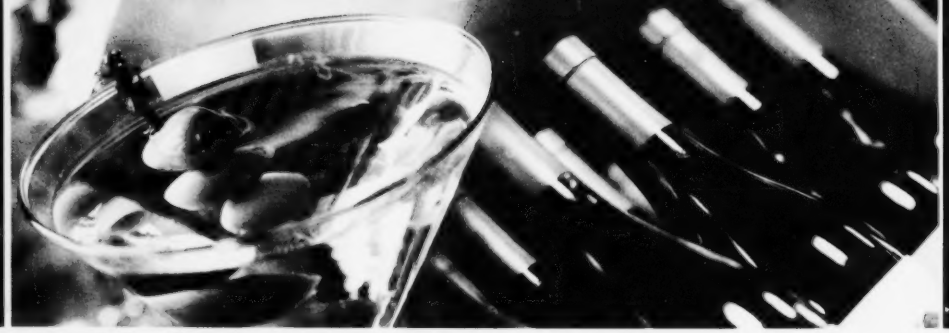
2006-07 HIGHLIGHTS

Sales and Revenues

As of March 31, 2007, there were 13,455 liquor products available to Alberta's 1,144 privately-owned liquor stores and general merchandise liquor stores. In 2006-07, Albertans purchased over 3.3 million hectoliters of liquor. The value of these liquor sales totalled $1.86 billion. $1.20 billion was distributed to suppliers and other organizations. The AGLC's liquor-related operating and regulatory costs were $21 million, leaving $640 million which, along with $18 million collected for licences, special event licences, levies, fines and other charges provided over $658 million to the provincial General Revenue Fund.

Licences in Effect at Year-End and Sales ($ in thousands)

Licence Class	Licences in Effect	Spirits	Wine	Coolers & Cider	Beer	2006-07 Total Sales	Licences in Effect	2005-06 Total Sales
A (hotels, bars and lounges)	5,085	$ 75,354	$ 26,047	$ 8,821	$ 213,529	$ 323,751	5,160	$ 306,459
B (facilities where people pay an entrance fee or buy a ticket)	500	1,317	490	260	5,631	7,698	492	9,011
C (private club)	780	798	1,554	159	6,101	8,612	783	8,565
D (retail outlets that sell liquor for off-premises consumption)	1,769	505,483	313,539	56,499	636,135	1,511,656	1,743	1,326,026
E (brew pubs and liquor manufacturers)	20	-	-	-	-	-	20	2
Other (duty-free stores, diplomats, liquor agencies, etc.)	-	3,163	1,142	86	831	5,222	-	5,531
	8,154	**586,115**	**342,772**	**65,825**	**862,227**	**1,856,939**	**8,198**	**1,655,594**



ALBERTA LOTTERY FUND

Under 25 Program

2005 Premier's Award of Excellence

The AGLC takes the issue of minors trying to obtain liquor very seriously.

The Under 25 Program is an effective way to reduce or eliminate situations where proof of age is not requested from those under 18 and they are able to purchase liquor.

In order to raise awareness of this program among Albertans, the AGLC launched the "Hard to Tell - Have to Ask" campaign in 2003 and the program has run annually since then. The campaign consists of posters and brochures that are distributed to all liquor licensees, and advertisements in newspapers throughout Alberta.

Licensees are monitored to ensure this screening procedure is followed. Those not in compliance are reminded of the policy and its purpose. Repeat offenders are fined or otherwise disciplined.

The AGLC will continue to work with our industry partners to ensure there is compliance with this policy to help prevent minors from obtaining liquor from licensed premises. However, it is the responsibility of every individual in the liquor business to ensure minors are not being served liquor.

More liquor-serving establishments are requesting proof of age from young people

2006-07	2005-06	2004-05	2003-04	2002-03
87%	83%	83%	67%	23%

Liquor Supply Chain Review

Due to mounting service concerns over delivery times to retailers, the AGLC commissioned a third party consultant to conduct a review of the liquor supply chain. The review, including consultation with stakeholders, took a comprehensive look at Alberta's privatized system for receiving, warehousing, ordering and distributing wine, spirits and imported beer. The liquor supply chain initiative was one of the more complex and important initiatives the AGLC has undertaken since the privatization of liquor occurred in 1993. The Alberta liquor industry supply model is predicated on balancing the interests of all stakeholders.

Recognizing the needs, priorities, and balance of the industry, the AGLC worked with the consultants to develop a multi-track approach geared towards:

- Ensuring that stability and predictability are returned to the supply chain in the near term (the next one to two years) working within the existing delivery model;
- Evaluating the costs, benefits, risks and policy implications of different supply chain models; and
- Identifying the best long-term alternative, based on balancing the AGLC's needs and priorities, and developing a transition strategy to move from the current model to the future model.

The complete report is available on the AGLC website at **www.aglc.gov.ab.ca**

Recommendations from the review have been accepted by the AGLC Board. Short-term recommendations are being implemented in 2007-08 and planning for the medium-term recommendations is underway.

Liquor

Responsible Service of Alcohol

Now in its third year, the Alberta Server Intervention Program (ASIP) continues to promote responsible liquor service in Alberta. ASIP training is an essential tool to assist individuals involved in selling and serving liquor to the public by educating them with respect to their duty of care responsibilities, Alberta legislation, and AGLC policies. The program raises awareness about the responsible consumption of alcohol, and helps to curb the problem of underage drinking, over consumption and impaired driving. The training program is available in a number of different delivery methods, including online, public seminars, in-house seminars and self-directed programs.

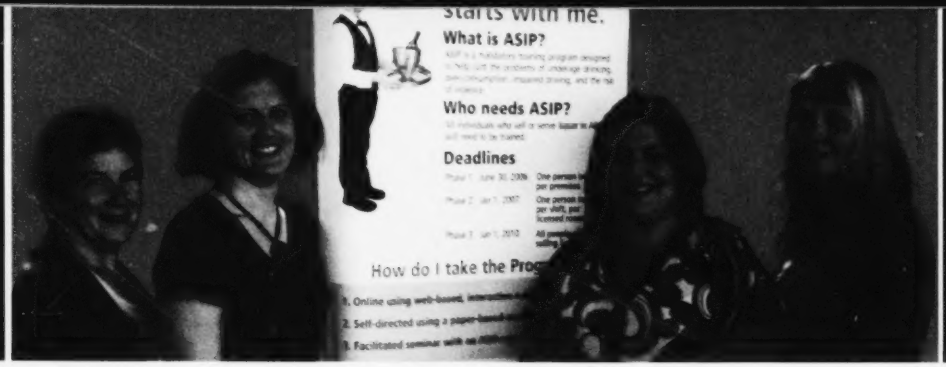
ALBERTA SERVER INTERVENTION PROGRAM
ASIP
Responsible liquor service starts with me.
Who needs ASIP?
Deadlines
Phase 1 June 30, 2006 One person trained per premises
Phase 2 January 1, 2007 One person trained per shift, per licensed room
Phase 3 January 1, 2010 All people serving or selling liquor trained
How do I take the program?
or contact us at
Alberta
Training for Responsible Alcohol Sales and Service

The priority of the ASIP program during 2006-07 was to ensure that at least one server per shift per licensed room is a certified ASIP worker. This goal was achieved. The next task for the ASIP program is to ensure all 80,000 servers in Alberta's licensed premises are ASIP trained and certified by January 1, 2010.

In 2006-07, the AGLC amended its ASIP policy, removing the requirement that private special event licensees, Class C licensees or Community Public Resale Special Event licensees comply with ASIP policies. The Class C licence category is predominately made up of non-profit and volunteer service groups restricted to members or other specified or allowed individuals. Community Public Resale Special Event licences are issued to non-profit or volunteer organizations or municipalities hosting a community event like a local rodeo. Although ASIP training is not mandatory, individuals who work or volunteer at an event where a private special event licence, Class C licence, or Community Public Resale Special Event licence are strongly encouraged to complete ASIP training at no cost. To learn more about server liability and how to identify and manage risks, the AGLC strongly encourages individuals who work under these types of licences to complete ASIP training. The AGLC remains committed to promoting responsible liquor service while still meeting the needs of volunteer organizations. In 2006-07 the AGLC offered free ASIP training to all non-profit groups and delivered the training programs in their local communities.

During the 2006-07 fiscal year, a total of 16,180 registrants with 13,210 completions obtained ASIP certification via the online program, facilitated seminar, or through a self-directed program. Of those registrants grandfathered from the "It's Good Business" and "Techniques in Alcohol Management" programs, 258 were certified with ASIP training.

To better meet the needs of liquor servers for whom English is not a first language, the ASIP exam has been translated into four languages: Canadian French, Latin American Spanish, Vietnamese, and Traditional Chinese. Also during the year, a training module for security staff was developed. This module is expected to be launched in 2007.



ALBERTA LOTTERY FUND

National Alcohol Strategy

In September 2006, the National Alcohol Strategy Working Group issued a report that identified 41 recommendations for reducing alcohol-related harm in Canada. The AGLC and AADAC were tasked by their respective Boards to develop an Alberta response to these recommendations.

During the 2006-07 fiscal year, the AGLC and AADAC developed a strategy and action plan to review, in conjunction with other government ministries, the 41 recommendations and report on the impacts implementing these recommendations could have on Albertans.

Violence In and Around Licensed Premises Roundtable

The purpose of the Alberta Roundtable on Violence In and Around Licensed Premises was to gather input, information and advice from stakeholders on the frontlines – from the people who work in, own, manage, regulate and protect the provinces licensed premises. Participants at the Roundtable discussed the types of liquor-related violence, where violence occurs, who is involved, and the root causes of violence. In addition, participants discussed the impact liquor-related violence has on the community, businesses, police agencies and the health care and justice systems. The issue of violence in and around licensed premises is not unique to Alberta.

Communities across Alberta were represented through government agencies, municipalities, police agencies, industry and municipal associations, addictions councillors, researchers and liquor licensees. The AGLC was one of many participants. The Roundtable defined issues and set priorities for addressing them.

On August 16, 2006, the Report of the Alberta Roundtable on Violence In and Around Licensed Premises was released. The report summarizes stakeholder discussions and suggestions and affirms that comprehensive training, sound operating policies and procedures, effective legislation, and consistent enforcement can all play a role in preventing violence and addressing its causes. The report is available on the AGLC website at **www.aglc.gov.ab.ca**.

The AGLC Board approved an action plan for addressing the suggestions arising from the Alberta Roundtable on Violence in and Around Licensed Premises. The action plan included: conducting research to identify regulatory and operational best practices, and to better understand the problem; creating a public awareness campaign aimed at bar patrons, sharing information among stakeholders; and community mobilization.

We Support Recycling

The AGLC is an active participant in the Beverage Container Management Board (BCMB) that regulates the recycling of beverage containers in Alberta. Almost 86 per cent of liquor containers were recycled in 2006-07. For liquor container recycling statistics, consult the BCMB's website at **www.bcmb.ab.ca**.

Liquor

New Cottage Wine Industry

Albertan entrepreneurs are looking at new opportunities to participate in the liquor industry. For example, in June 2006, the AGLC added mead (honey wine) to the list of products that can be produced, packaged and sold directly from Alberta farms. The move builds on the creation of the cottage winery industry in 2005-06.

Mead, which consists of three simple ingredients: honey, sugar and yeast, is one of the world's oldest alcoholic beverages. It relies on time and technique to transform its components into a great tasting wine.

Consulting with Albertans

Obtaining information on Albertans' views is important to the AGLC. In 2006-07, a consultative review of the policy regarding brew pub sales to other licensed premises resulted in the AGLC Board maintaining the current policy to permit brew pubs to sell their product on site and off site to the general public. Another consultative review of the policy regarding the sale, service, and consumption of liquor in limousines resulted in the AGLC Board approving a change to the policy. As a result of the change, the sale, service, and consumption of liquor in limousines is permitted under a Class B Licence.

By including stakeholders in these discussions, the AGLC can create the most effective means to address issues or concerns.

The Pricing Structure

Warehouses receive liquor products directly from manufacturers or from suppliers. The suppliers (or their agents) set a price that reflects the cost of the product. The supplier's price includes the actual cost of the product (that is, the manufacturer's cost) plus the cost of insurance, marketing and promotion, transportation to the warehouse, warehousing charges and a profit margin.

The AGLC calculates a wholesale price that factors in the supplier's price, federal customs and excise taxes and duties, a recycling fee, container deposit, and the provincial mark-up. Mark-up rates depend on product type. They are assigned according to an approved rate schedule that is established by policy and reviewed regularly. No changes were made to the provincial mark-ups after June 1, 2006.

Beer Mark-up

The AGLC Board announced a revised beer mark-up policy effective June 1, 2006 to clarify the definition of a qualified manufacturer which is eligible for the small brewer mark-up. Under the small brewer provision of the revised beer mark-up policy, manufacturers/liquor suppliers/agents are subject to the standard mark-up of $0.98 per litre sold. To be eligible for the small brewer rate of $0.20 or $0.40 per litre sold, manufacturers must demonstrate that they are a qualified manufacturer and the products that they distribute are eligible for the small brewer rate.

Liquor Mark-Up Rates in Alberta as of June 1, 2006

Spirits, Refreshment Beverages and Wine	$ per Litre
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Wine and Sake (greater than 16% alcohol content)	6.10
Wine and Sake (less than or equal to 16% alcohol content)	3.45
Refreshment Beverages (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverages (greater than 1% and less than or equal to 8% alcohol content)	1.35

Beer*	$ per Litre
Beer (less than or equal to 10,000 hectolitres)	0.20**
Beer (greater than 10,000 hectolitres and less than or equal to 200,000 hectolitres)	0.40**
Beer (greater than 200,000 hectolitres and less than or equal to 400,000 hectolitres)***	0.40 on sales in Alberta up to and including the first 200,000 hectolitres 0.98 on sales in Alberta for the next 200,000 hectolitres up to and including 400,000 hectolitres
Beer (greater than 400,000 hectolitres)	0.98

* Annual worldwide production includes the volume of all liquor and non-liquor products manufactured where the beer is produced, as well as all contracted or leased volumes.

** All manufacturers/liquor suppliers/liquor agencies are subject to the standard mark-up rate of $0.98 per litre. A qualified manufacturer may be eligible for the small brewer mark-up if it meets, to the satisfaction of the AGLC, the following criteria:

1. A qualified manufacturer, under the beer mark-up policy, is defined as:
   a) An Alberta licensee holding a Class E Manufacturer (Brewery) Licence issued in accordance with the Gaming and Liquor Act, Gaming and Liquor Regulation and related AGLC policies; or
   b) A person who owns/leases, operates and controls an establishment for making liquor outside of Alberta who meets the following requirements of a Class E Manufacturer (Brewery) in Alberta:
      i. 5,000 hectolitres minimum annual production capacity;
      ii. all beer must be manufactured on site;
      iii. fermentation, maturation and storage tanks with a minimum of 10 hectolitres capacity each;
      iv. there must be a weekly minimum of 50 hectolitres overall fermentation, maturation and storage capability and there must be space available to add additional tanks to achieve the overall annual capacity; and
      v. the person must have the continuous right to solely occupy and control the facility whether or not the facility is owned or leased by the person.
2. A qualified manufacturer is eligible for the small brewer rates on products for distribution in Alberta only if it is either:
   a) the owner of the trade/brand names it manufactures; or
   b) the registered agency in Alberta of the products it manufactures.
3. A registered agency that has a product produced at only one qualified manufacturer, that qualified Manufacturer having annual world-wide production of all products less than 10,000 hectolitres is eligible for the small brewer rate.

*** Only those beer manufacturers and suppliers whose annual worldwide production was less than 200,000 hectolitres when they entered the Alberta market are eligible for the transition mark-up rates.

Liquor

GOAL ONE: Liquor activities are conducted with integrity and in a socially responsible manner

PERFORMANCE MEASURE: Percentage of liquor licensees who comply with legislation, regulations and policy.

The AGLC is responsible for a range of regulatory activities such as inspections, investigations, and audits to ensure compliance with provincial laws. In 2006-07, there were 26,405 inspections conducted, resulting in 286 liquor licensees being issued a penalty, compared to 419 the previous year. Incident reports filed about non-compliant liquor establishments typically document alleged violations and are used to determine disciplinary action, ranging from warnings to monetary penalties or ultimately suspension or cancellation of liquor licences. In 2006-07, the AGLC Board held 21 liquor-related hearings, compared to 37 the previous year. Based on the average number of licences during the year, the vast majority of licensees — 95.5 per cent — met the requirements for compliance.

Common Noncompliance Issues

- failing to request proof of age from patrons who appear to be under 25
- selling liquor to minors or allowing minors in age-restricted premises
- serving liquor to intoxicated persons
- serving liquor after hours
- failing to provide proper supervision and control
- selling illegal liquor

Liquor Licensee Compliance Reaches 95.5%

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of liquor licensees who comply with legislation, regulations and policy.*	95.0%	95.5%	95.0%	93.8%**	93.3%**†	—Comparative not available	

* This measure was reworded slightly in the 2006-09 AGLC business plan. In previous years, it had been reported as "Liquor licensees comply with legislation, regulations and policy." No changes were made to the methodology in 2006-07.
** The results for 2006-07, 2005-06 and 2004-05 were calculated based on a new methodology which includes licensees issued penalties during the fiscal year for incidents that occurred outside the period.
† Results for 2004-05 were restated to reflect the new methodology.

Notes:
- Licensees consist of five different classes of liquor licensees, as well as registrants and Special Event licensees.
- In 2006-07, 74% of all licensees were inspected. In 2005-06, 72% of all licensees were inspected. In 2004-05, 73% of licensees were inspected.
- Cautions (verbal warnings) are not included in the results.

Source: Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

Penalties Decline

	2006-07	2005-06	2004-05
Average number of licensees	6,425	6,742	6,678
Number of licensees who received penalties	286	419	445

PERFORMANCE MEASURE: Percentage of Albertans surveyed who are satisfied that liquor is provided in a responsible manner.

The AGLC exceeds its target for responsible provision of alcohol.

The AGLC encourages the responsible sale and consumption of liquor. In order to determine how satisfied Albertans are with the provision of liquor, public satisfaction is measured through an annual survey of a representative sample of Albertans.

The survey is administered by a third party survey firm on behalf of the AGLC. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to Alberta's population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

94.5 per cent of respondents were 'very satisfied', 'satisfied', or 'somewhat satisfied' that liquor is provided in a responsible manner.

The results for this performance measure were obtained by using a weighted average for the following:

- Respondents' level of satisfaction with the sale of liquor in a responsible manner
- Respondents' level of satisfaction with the service of liquor in a responsible manner

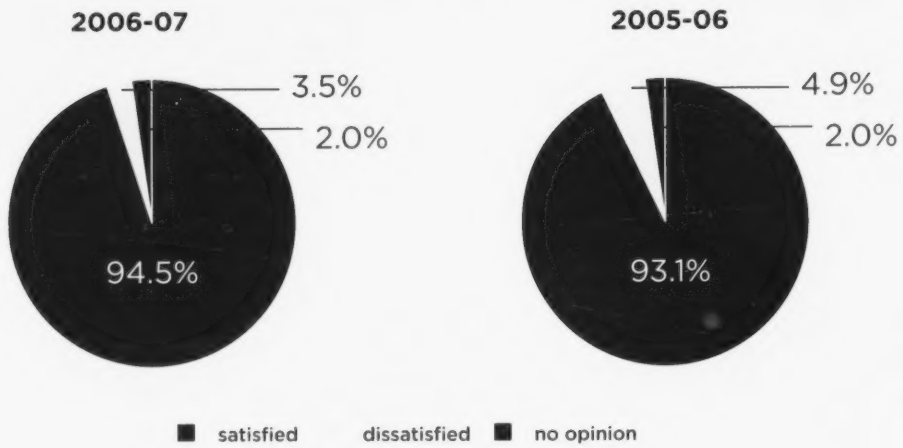
Although this is the first time this measure is being reported on in the AGLC Annual Report, the AGLC has been collecting comparable data since 2004-05.

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of Albertans surveyed who are satisfied that liquor is provided in a responsible manner.	94.0%	94.5%	N/A*	93.1%	93.0%	Comparative not available	

* This measure was first included in the 2006-09 AGLC business plan. As such, no target exists for 2005-06.

Source: 2006-07 Survey of Albertans - Leger Marketing

Liquor



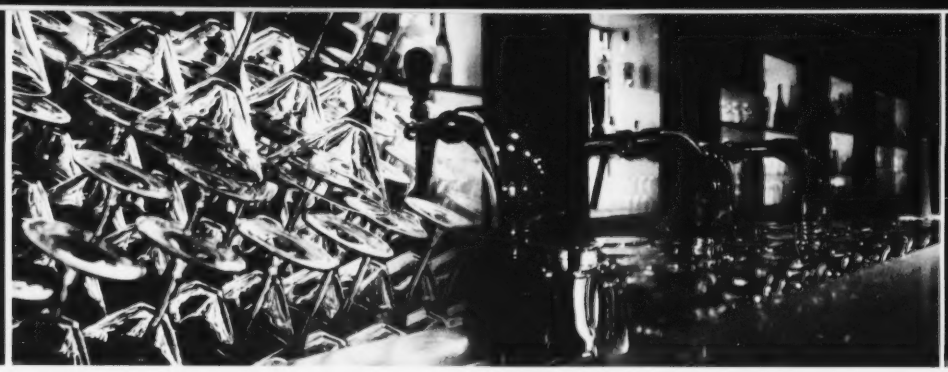
GOAL TWO: Liquor licensing activities are effective and efficient

PERFORMANCE MEASURE: Percentage of liquor licences and registrations completed within established timeframes.

The AGLC licenses or registers all individuals or companies that manufacture, import, buy, sell, store or serve liquor. As a result, the number of licences in effect varies from month to month. As of March 31, 2007, there were 8,154 licences in effect (8,198 at March 31, 2006).

The timeframe for processing liquor licences and registrations is measured in days calculated from the date a complete application is received by the AGLC to the date the required licence or registration is issued. Different types of applications require different levels of approval, and some applications may take longer than others to process, therefore different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established timeframes.

The following tables show that 100 per cent of a total of 2,094 liquor licences and registrations were completed within the target timeframes. This positive result builds on changes made during 2005-06 when a cross-training initiative was implemented to train staff to process various kinds of licences and applications. The cross-training allowed staff to be redirected to busier streams, when needed, thus improving organizational efficiency.



ALBERTA LOTTERY FUND

The AGLC Meets Targeted Response Times 100 Per Cent of the Time in 2006-07

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of liquor licences and registrations completed within established timeframes	98.0%	100%	98.0%	100%	99.5%	99.4%	98.8%

Source: Licensing Management System

Liquor Licences and Registrations Processing Information

Category	Target Response Time	Totals Processed 2006-07	Totals Processed 2005-06	Processed within Target Time Frame 2006-07	Processed within Target Time Frame 2005-06
New Licences	21 days	1,163	1,215	100%	100%
Special Event Licences	14 days	889	1,012	100%	100%
Liquor Agency Registrations	7 days	42	43	100%	100%
Totals		**2,094**	**2,270**	**100%**	**100%**

PERFORMANCE MEASURE: Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.

Client satisfaction was measured through an independently administered telephone survey of a random sample of 364 of 6,013 liquor licensees and 140 of 261 registered liquor agencies. The results were weighted to reflect the relative size of these two subgroups within the liquor industry. There is a 95 per cent certainty that the results are accurate within ±4.2 per cent.

Respondents were asked to rate their satisfaction with AGLC services received in the previous 12 months. The survey found that 83 per cent of respondents were 'very satisfied', 'satisfied' or 'somewhat satisfied' with the overall services provided. While the result is lower than the 94 per cent who were satisfied in 2005-06, this was likely due to the supply chain issues experienced in Alberta during 2006-07. However, a result of 83 per cent during challenging times is encouraging.

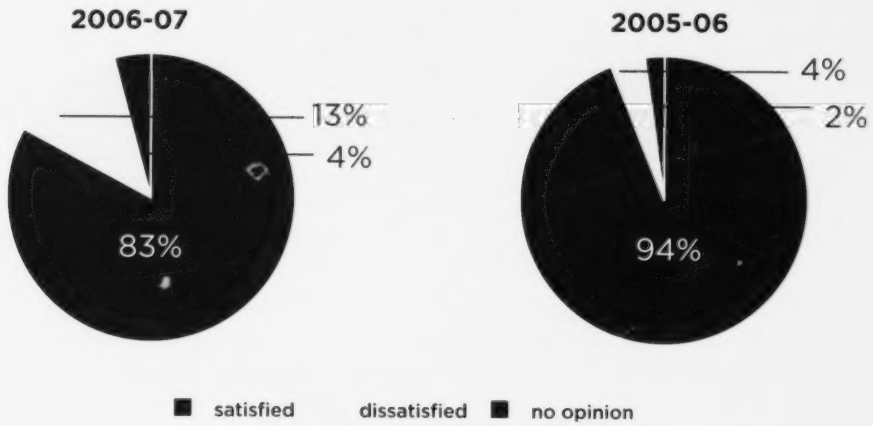
The AGLC regularly reviews its policies and procedures to ensure they meet the needs to Albertans. A review of Alberta's liquor supply chain was conducted by an independent consulting firm. The report recommended a number of short, medium and long term strategies to improve the province's liquor supply chain. The AGLC acted immediately on the short term recommendations to ensure stability and predictability is returned to the supply chain in 2007-08 which will contribute to improved client satisfaction in years to come. The report is available on the AGLC website at **www.aglc.gov.ab.ca**.

Liquor

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC	95.0%	83.0%	95.0%	94.0%	95.0%	94.0%	92.0%

Source: 2006-07 Survey of Liquor Industry Clients – Leger Marketing

Majority of Clients Satisfied with AGLC Services



The most expensive product warehoused in the Connect Logistics Services (CLS) warehouse was a 750ml bottle of 1937 Vintage 65-Year Old Glenfiddich Scotch Whisky.

Cask 843 was sealed two years before the start of the Second World War and bottled in 2001. It was one of only 61 bottles. In 2002, the bottle retailed for $22,000!

GAMING

2007

Gaming

2006-07 HIGHLIGHTS

The AGLC's gaming responsibilities include both charitable gaming and provincial gaming activities. Charitable gaming refers to Alberta's unique gaming model for casino table games, pull-ticket sales, raffles, and bingo events. Provincial gaming activities include slot machines, VLTs, electronic bingo, and ticket lotteries. The AGLC is accountable for gaming activities and works with stakeholders and partners to create policies, regulations and educational programs, to ensure safe and responsible gambling.

Minors Awareness Campaign

The Minors Awareness Campaign for lottery ticket retailers was launched in 2006-07. The campaign was directed at lottery ticket retailers and their staff and its purpose was to remind retailers about the AGLC's policy on minors and gambling. Research from AADAC indicated Alberta youth from grades seven through grade twelve were participating in a number of gambling activities, but primarily were playing scratch 'n win lottery tickets. In 2006-07, 297 lottery ticket retailers were audited by AGLC Inspectors. A compliance rating of 56 per cent was achieved. A report on this initiative is available on the AGLC website at **www.aglc.gov.ab.ca**. The AGLC is expanding the campaign in 2007-08 and including more public awareness through increased newspaper advertising.

ATM Policy

The new policy restricting the placement of Automated Teller Machines (ATMs) in premises with VLTs came into effect on July 1, 2006. The policy was implemented as research indicates that problem gamblers access ATMs twice as often as recreational gamblers. Research also indicated problem gamblers need to take a break from their play, even if only for a very brief moment. The policy requires ATMs to be a minimum of 15 feet from VLTs. All of the approximately 1,100 VLT retailers have complied with the policy.

Voluntary Self Exclusion Program Review

The Voluntary Self Exclusion (VSE) Program in casinos and Racing Entertainment Centres (RECs) was evaluated in 2006-07. The evaluation is being hailed as the most comprehensive of its kind in North America. The evaluation included stakeholder input from Casino Operators, Alberta Gaming Research Institute (AGRI) Researchers, Alberta Alcohol and Drug Abuse Commission (AADAC), VSE participants and their families. Experts from across Canada, the United States and Australia were also interviewed. Results indicate the VSE program is worthwhile when used as one of the many tools available to those people who want to curb their casino gambling.

ALBERTA LOTTERY FUND

Providing Information to Gamblers

Responsible Gambling Information Centres (RGICs) are part of a new responsible gambling pilot launched by the AGLC in February 2006. RGICs feature a modular display and provide Albertans with information about the cost of play, house advantage, and the Voluntary Self Exclusion Program. In 2006-07, RGICs were available at Deerfoot Inn & Casino (Calgary), Palace Casino (Edmonton), and River Cree Resort and Casino (Enoch Cree Nation). In 2006-07 the AGLC evaluated RGICs and found they had a positive impact on casino staff and patrons' knowledge and attitudes regarding responsible gambling. The AGLC also found that having a trained AADAC counsellor on site was not required. As such, in 2006-07, the AGLC opened the first RGIC staffed by an AGLC employee. The AGLC will be staffing all RGICs in 2007-08. RGICs will be implemented in all casinos in Alberta within three years.

The centres are staffed Tuesday to Saturday, from noon to 8:00 pm. Centre staff are also providing awareness and prevention training for casino employees.

11:40 TIME

A 24-hour clock located on the main screen of VLTs is designed to assist players in managing the time spent playing VLTs. It is just one of the responsible gaming features the AGLC has implemented on its VLT network.

Additional responsible gaming features available on VLTs in Alberta include:

- *The player's bank showing both dollars and credits, which assists players in tracking how much money they have wagered.*
- *Pop-up reminders that show players how long they have been playing and asking whether they wish to continue playing or end the session.*
- *A scrolling toll-free help line sponsored by the Alberta Alcohol and Drug Abuse Commission (AADAC). The AADAC Help Line is manned by professionals able to assist players, by providing information and referral to counselling services.*

Gaming

Over 5,700 Albertans Trained in 2006-07

The AGLC facilitates a number of training programs for Albertans. Training programs range from social responsibility programs and product training for gaming staff and VLT retailers, to information sessions for charitable and religious groups. The AGLC is committed to ensuring its licensees have the knowledge required to conduct their business with integrity and in a socially responsible manner. As needs are identified, new programs are developed.

Gaming Training Activities 2006-07

Training Program	Audience	Purpose	# Trained in 2006-07	What's New
Deal Us In	Casino/Racing Entertainment Centre staff	Phase 1 - mandatory awareness training Phase 2 - mandatory training for management and security staff	99 sessions with 1,100 participants	Phase 2 will include more information on the VSE Program and more communication/ intervention skills training for managers
VLT Responsible Gambling Training	VLT retailer staff	Video on responsible gaming to create awareness of gamblers' myths and how not to promote these myths	Approximately 2,500	An evaluation was conducted in 2006-07
Bingo Responsible Gambling Training	Facility operators and staff	To provide awareness of problem and responsible gambling and where to find assistance	Being delivered in 2007-08	Under development
VLT/Ticket Lotteries/ Slots/Bingo	Retailers and facility operators	Training on products and use of terminals and peripherals	2,129 retailers (includes slot machines, VLT, ticket, lottery, and electronic bingo)	Training on new slot Ticket In/ Ticket Out (TITO) technology, as well as training audit conducted for all networks
Responsible Gambling Training	All AGLC staff	To ensure staff have an understanding of problem gambling and AGLC's role in educating people on responsible gambling	80	Now offered twice a year to new hires, in 2006-07 80 new hires participated
Gaming Information for Charitable Groups (GAIN)	Charitable and Religious Groups	To provide information about the responsibilities and requirements of conducting licensed gaming activities	233 sessions with 3,400 participants	3 types of sessions: overview of charitable gaming licensing; use of gaming proceeds; and Host First Nations gaming information

ALBERTA
LOTTERY FUND

Alberta's 1st First Nation Casino

The River Cree Resort and Casino is Alberta's 1st First Nation casino. The River Cree Resort and Casino was developed pursuant to Alberta's First Nations Gaming Policy. The Me'Chet Charities Limited of the Enoch Cree Nation is the first charitable group to use the amended policies. The overriding goal of the policies is to help improve the economic and social conditions within First Nation communities. The revised policies released in October 2006 are largely the same as policies for non-First Nation charities, except where it was demonstrated that additional policies were required to address the unique charitable and cultural needs of Alberta's First Nations.

New policies, respecting use of proceeds, that were added include:

- addictions treatment;
- community safety programs;
- cultural events;
- elders/seniors support;
- housing and infrastructure; and
- life skills training.

Policies that were modified, to allow use of proceeds to pay for, were:

- administrative costs (as the First Nation licensed charity will conduct events all year long and has no other source of revenue);
- donations outside of Alberta (only five per cent or $100,000 of proceeds, whichever is less, can be spent outside Alberta);
- children/youth/adults in care (allows gaming proceeds for adults in-need programs);
- education (for transportation costs to and from school);
- equipment/uniforms/costumes/First Nations regalia/vehicles (policy was revised to specifically mention First Nations regalia); and,
- medical/health aid and relief (used for vision and dental coverage, prescribed drugs and traditional healing).

The River Cree Resort and Casino is part of a growing trend toward 'destination gaming', where casinos are typically part of a larger complex including a hotel and a variety of other entertainment options. The River Cree Resort and Casino includes ice rinks, a hotel, several restaurants and a conference centre.

Gaming

Casino Facilities

The latest additions to Alberta's casino landscape are the Century Casino in Edmonton and the River Cree Resort and Casino on the Enoch Cree Nation.

Seven other proposed casinos are in the final stages of the rigorous eight-step casino facility licensing process. Six of these applications are for First Nation casinos. The AGLC works closely with organizations that are planning new facilities to ensure the integrity of the gaming industry. The licensing process ensures that growth is carefully managed and controlled. Applicants must have a detailed business and marketing plan and must also demonstrate that they have considered community impacts. The status of current applications can be found at **www.aglc.gov.ab.ca**.

Bingo Facilities

2006-07 marked the first full year of operations for Grande Bingo (Grande Prairie), the first bingo facility in Alberta to be operated by a private operator. The charitable-corporate operating model has:

- Reduced the number of required bingo volunteers;
- Stabilized long-term revenues for charities; and
- Provided bingo volunteers and patrons with a modern facility.

In 2006-07, 474 VLT Retailers received the VLT Responsible Gaming Award. The award includes a wall plaque and an advertisement in the retailer's local newspaper. These products recognize the establishment's participation in the Responsible Gambling Program.

ALBERTA
LOTTERY FUND

CHARITABLE GAMING 2006-07 HIGHLIGHTS

In Alberta we have a unique, innovative model that provides opportunities for charitable and religious groups to benefit from gaming activities. Non-profit groups across the province earn millions of dollars to support their programs and activities by conducting bingos and casinos, selling pull-tickets, and holding raffles. The funds from charitable gaming stay in the community – indeed, they help local communities stay vibrant and attractive for residents and newcomers alike. The AGLC acts quickly to shut down illegal gaming operations to protect the integrity of the gaming industry and the proceeds to charities.

Web-Based Reporting System

In February 2007, the AGLC launched a web-based facility for raffle licensees whose event sales total less than $10,000 to submit their financial reports online. Financial reports are a summary of charitable gaming activity (gaming revenue, gaming expenses and use of proceeds) for a registered charity in Alberta from licensed gaming events conducted. Raffle licensees (with gross sales under $10,000) have the option of submitting their financial report through the mail or directly through the AGLC website. The web-based service assists charities in the filing of their raffle financial reports.

Free Information Sessions

Since November 2003, the AGLC has been conducting **free** information sessions throughout Alberta as a service to charitable groups. The Gaming Information for Charitable Groups (GAIN) program provides information about the responsibilities and requirements of conducting licensed gaming activities.

The GAIN program consists of three types of sessions:

1. Overview of charitable gaming licensing,
2. Use of gaming proceeds, and
3. Special session, upon request.

2005 Premier's Award of Excellence

In 2006-07, the program also introduced a GAIN session to accommodate the needs of Host First Nations for gaming information.

The GAIN program is very popular. During 2006-07, the AGLC delivered 233 GAIN sessions to more than 3,400 participants in 70 communities throughout Alberta. To date, more than 16,800 participants have accessed gaming information through the GAIN program.

Gaming

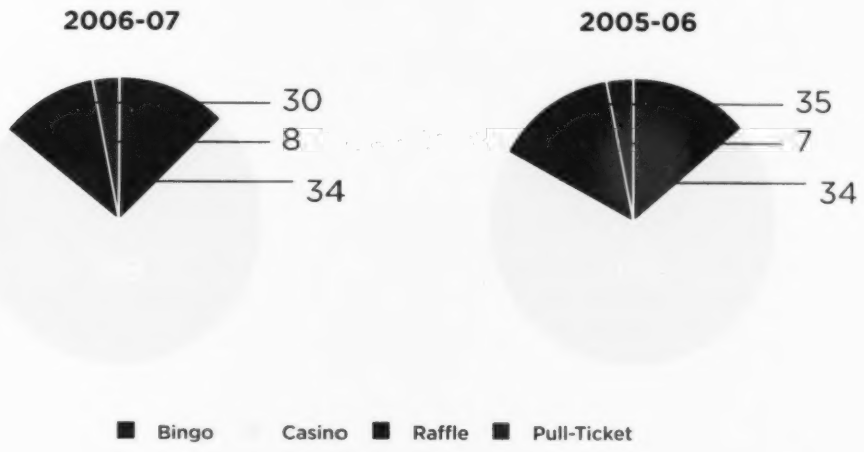
Charitable Gaming Sales and Proceeds

Charitable and religious groups conducting a casino event keep the proceeds from the table games, less a service fee for the facility operator. In a similar fashion, charities keep all the proceeds they earn from bingos, raffles and pull-ticket sales after operating expenses. Charities also receive a portion of the revenues from slot machines, electronic bingo and Keno. During 2006-07, charities received a total of $270 million, compared to $252 million the previous year.

Gaming Licences in Effect and Associated Revenues 2006-07

	Licences*	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Electronic ($000)	Keno ($000)	2006-07 Proceeds to Charity ($000)	2005-06 Proceeds to Charity ($000)
Casinos	3,303	$ 860,864	$ 697,975	$ 104,772	$ 140,048	$ 23	$ 198,188	$ 172,021
Bingos	2,189	225,861	144,496	57,161	5,410	497	30,111	34,539
Pull-Tickets	622	36,863	26,886	2,404			7,573	7,214
Raffles	349	93,311	38,007	20,745			34,559	34,518
	6,463	**1,216,899**	**907,364**	**185,082**	**145,458**	**520**	**270,431**	**248,292**

* Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.



TICKETS, SLOTS, VLTS AND ELECTRONIC BINGO 2006-07 HIGHLIGHTS

The AGLC conducts and manages ticket lotteries and all electronic gaming devices (slot machines, VLTs and electronic bingo). These activities are delivered by independent retailers, private operators and bingo associations under retailer agreements. The AGLC supplies and maintains the electronic equipment used for tickets, slots, VLTs and electronic bingo.

Revenues from provincial gaming activities (VLTs, slot machines, electronic bingo, and ticket lotteries) are deposited in the Alberta Lottery Fund. Aimed at benefiting Alberta communities, the Alberta Lottery Fund supports programs, projects and foundations administered by 12 government ministries. Expenditures from the Alberta Lottery Fund are approved annually by the Provincial Legislature.

The AGLC is responsible for the administration of the Alberta Lottery Fund. Using key strategies like ensuring lottery fund revenues are allocated and expended according to policy, and helping Albertans to become better informed about lottery-funded initiatives, the AGLC manages the Alberta Lottery Fund to enhance the quality of life for all Albertans. Read more about the Alberta Lottery Fund at **www.albertalotteryfund.ca.**

In 2006-07, the Alberta Lottery Fund received proceeds of over $1.5 billion. The details of how these funds were used by the ministries are outlined in their annual reports. Additionally, the net proceeds from electronic bingo at events conducted in licensed bingo facilities flow back to the charities conducing the events. Forty per cent of net proceeds from First Nation casino electronic gaming supports the First Nations Development Fund, which benefits all Alberta First Nations.

Sales and Proceeds

In 2006-07, gross profit from tickets, slots, VLTs and electronic bingo totalled $2.16 billion, compared to $1.95 billion the previous year. Of this amount, over $1.5 billion was deposited in the Alberta Lottery Fund to support volunteer, public and community-based initiatives. Costs of commissions for operators and charities and federal payments amounted to $494 million, while the AGLC's own gaming-related operating costs were $136 million. The following table provides a breakdown for each gaming activity.

Revenues and Cost Allocation for Tickets, Slots, VLTs and E-Bingo 2006-07 ($ millions of dollars)

	VLTs	Slot machines	Electronic bingo	Lottery ticket sales	Total	2005-06 Total
Revenues	**$ 11,074.5**	**$ 12,618.5**	**$ 36.6**	**$ 578.2**	**$ 24,307.8**	$ 22,027
Prizes	**10,198.2**	**11,620.7**	**24.5**	**300.5**	**22,143.9**	20,075.4
Gross Profit	**876.3**	**997.8**	**12.1**	**277.7**	**2,163.9**	1,951.6
Commissions/ Federal Payments	**141.2**	**298.6**	**4.1**	**50.4**	**494.4**	440.0
Expenses					**135.7**	122.5
Net Operating Results					**1,533.8**	1,389.1

Gaming

Ticket Lotteries

In 2006-07, Albertans could buy seven different types of lottery tickets. They could also play Keno at 28 bingo halls, 50 Video Gaming Entertainment Rooms (VGERs), and 12 casinos.

Total revenues from ticket lotteries increased almost 14 per cent in 2006-07, compared to the previous year. An increased number of bonus jackpot offerings contributed to the revitalization of this form of gaming. The sales for scratch n' win (instant) tickets were 14 per cent higher than the previous year.

Ticket Lottery Sales ($ thousands)

Ticket Type	2006-07	2005-06
Lotto 6/49	$ **184,633**	$ 165,725
Instant	**152,897**	134,212
Super 7	**77,926**	67,499
Extra	**61,257**	56,138
Sport Select	**43,781**	39,641
Western 6/49	**31,513**	30,586
Pick 3	**12,529**	12,029
Keno	**4,114**	2,365
Millionaire Life *	**9,602**	-
	578,252	508,195

* Introduced in 2006-07

Coin-less Convenience

By March 30, 2007, the AGLC converted slot machines in Edmonton casinos/Racing Entertainment Centres (RECs) to coin-less, commonly known as Ticket In/Ticket Out (TITO), which use a printed voucher as payment. This voucher can be used at other slot machines in the same casino or cashed out. TITO reduces hardware malfunctions due to coin jams, decreases machine downtime and increases player satisfaction. The balance of the slot machines in the province will be converted by the summer of 2008. Standardized cash management practices to enhance gaming integrity, were implemented as part of the coin-less conversion.

Consolidation of VLTs

According to government policy, there can be no more than 6,000 VLTs operating in Alberta. As of March 31, 2007, there were 5,981 VLTs at 1,060 retail locations across the province. Sixty-one of the retail locations were video gaming entertainment rooms (VGERs). The number of VLT locations has been reduced by 16 per cent since 2001, with a focus on consolidating terminals in VGERs.

Lottery Prize Claim Integrity

Concerns with the integrity of lottery prize claims in other provinces prompted the AGLC together with the Western Canada Lottery Corporation (WCLC), which operates lottery games for Alberta, Saskatchewan, and Manitoba, to initiate an external review focusing on retailer wins, internal and retail prize claim policies and procedures, and the measures being introduced to ensure the protection of players. Although no significant concerns were identified from this review, the WCLC and the AGLC took steps to strengthen their processes and identify enhancements which will be implemented beginning in 2007-08, including replacing all ticket lottery terminals, introducing customer display units, and installing self-serve ticket checkers. In addition, a third party was retained to conduct a detailed review of WCLC operations. The results of the detailed review are expected by fall 2007.

The AGLC has a Hotline for all customer lottery ticket complaints (1-800-561-4415). All complaints are investigated.

The best advice we can offer players to protect themselves from retailer fraud is to sign the back of their lottery tickets when they buy them and get their validation slip from the retailer after the ticket is checked on the terminal.

Slot Machines

Slot machines feature many different games and levels of prizes. The AGLC regularly introduces new games and changes the mix of games in response to player demand. As of March 31, 2007, there were approximately 479 game titles available.

Slot Machines and Locations

Number of slot machines	2006-07	2005-06	2004-05
Casinos			
Edmonton	**3,808**	2,556	2,369
Calgary	**3,429**	3,306	2,179
Other	**2,160**	2,047	1,843
Racing Entertainment Centres (RECs)	**835**	749	624
Total	**10,232**	8,658	7,015

Gaming

GOAL THREE: Charitable gaming activities are conducted with integrity and in a socially responsible manner

PERFORMANCE MEASURE: Percentage of charitable gaming activities that are conducted in accordance with legislation, regulation and policy.

Compliance of charitable gaming activities is measured by the number of inspections resulting in penalties generated as a result of AGLC inspections of licensed gaming facilities and events. Inspection types and frequencies differ for different kinds of charitable gaming activities and consist of operational, maintenance and site visits.

Beginning in 2005-06, compliance is measured by the number of inspections resulting in penalties where the incident report is issued in the current year or prior year and the penalty is handed out in the current year.

For example, an incident report generated in 2005-06 with a penalty handed out in 2006-07 is included as part of the 2006-07 result.

In 2004-05, compliance was measured by the number of inspections resulting in penalties if the incident report and penalty were from the same year. The results from 2004-05 have been restated to conform to the new methodology.

Charitable gaming inspections totaled 4,910 in 2006-07. Twenty-eight inspections resulted in penalties, representing approximately 0.6 per cent of the total number of inspections. In nearly all cases, inspectors found charitable gaming activities to be in compliance with legislation and policy.

Charitable gaming compliance is higher than targeted

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of charitable gaming activities that are conducted in accordance with legislation, regulation and policy*	95.0%	99.4%	95.0%	99.5%**	99.5%†	Comparative not available	

* This measure was reworded slightly in the 2006-09 AGLC business plan. In previous years, it had been reported as "Charitable gaming activities are conducted in accordance with legislation, regulation and policy." No changes were made to the methodology in 2006-07.
** In 2005-06, the methodology was changed to include incident reports with penalties from different years.
† The results for 2004-05 have been restated to reflect the new methodology.

Source: Stakeholder Database. Report is generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

All gambling is illegal unless specifically exempted in the Criminal Code of Canada. Gaming activities may only be conducted by a provincial government or its agent or by an eligible charitable or religious organization licensed by a provincial government.

ALBERTA LOTTERY FUND

Charitable Gaming Compliance Statistics

	2006-07	2005-06	2004-05
Inspections Conducted	**4,910**	4,979	5,320
Inspections Resulting in Penalties	**28**	26	27*
	(0.6% of all licensees)	(0.5% of all licensees)	(0.5% of all licensees)
Compliance Rate	**99.4%**	99.5%	99.5%*

* 2004-05 results have been restated to reflect the new methodology.

PERFORMANCE MEASURE: Percentage of charitable gaming financial reports produced within established timeframes.

Only charitable and religious groups are eligible for gaming event licences, and only if their gaming proceeds are used for charitable or religious objectives or purposes. Financial reporting procedures apply to gaming event revenue and expenses and to the use of charitable gaming funds. Charities that have spent gaming proceeds for purposes that have not been approved are required to return these amounts to their gaming accounts.

Charitable gaming financial reports are prepared by the AGLC and provided to the charitable and religious organizations for review and verification. The timeframe for preparing charitable gaming financial reports is measured in days, calculated from the end date (or anniversary date for multi year gaming licences) of the charity's gaming licence or the anniversary date of their gaming consolidated report. The AGLC's financial gaming review system tracks charitable gaming financial reports and automatically generates a target response time based on the type of report required. Different kinds of reports take different amounts of time. The system also tracks expected and actual report completion dates.

The performance measure below is calculated by dividing the number of financial reports mailed on time by the total number of financial reports. For 2006-07, financial reports were produced within established timeframes 85.9 per cent of the time. This represents an increase of 23.6% from the previous year. This significant increase is the result of improved processes and procedures which reduced a backlog and created an environment where the target could be exceeded.

Financial Reports Completed within Target Timeframe

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of charitable gaming financial reports produced within established timeframes.	75.0%	85.9%	N/A*	62.3%**	Comparative not available		

* The 2005-06 target was stated in the 2005-08 business plan as "Increase over 2004-05 target" which was to establish a baseline. Since a baseline was not established in 2004-05, there is no relevant target for 2005-06.
** A new methodology was introduced in 2005-06.

Source: AGLC Performance Measure Audit Details Report

Gaming

Report response times for different gaming categories

Category	Target Response Time	Totals Processed 2006-07	Processed within Target Time Frame 2006-07	Totals Processed 2005-06	Processed within Target Time Frame 2005-06
Bingo Associations	10 weeks	1,927	1,795 (93.2%)	2,364	1,560 (66.0%)
Community Bingos	10 weeks	292	150 (51.4%)	453	51 (11.3%)
Casinos	20 weeks	3,051	2,925 (95.9%)	2,401	2,178 (90.7%)
Pull Tickets	10 weeks	525	255 (48.6%)	649	31 (4.8%)
Raffles	10 weeks	312	197 (63.1%)	323	186 (57.6%)
Consolidated Gaming Funds financial reports	10 weeks	448	307 (68.5%)	509	165 (32.4%)
		6,555	**5,629 (85.9%)**	**6,699**	**4,171 (62.3%)**

PERFORMANCE MEASURE: Percentage of Albertans surveyed who are satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.

It is important that charitable gaming activities are conducted with integrity. This performance measure addresses integrity by determining how many Albertans are satisfied with the fairness and level of responsibility with which charitable gaming activities were provided.

Public satisfaction was measured through an independently administered survey of a representative sample of Albertans. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to the population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

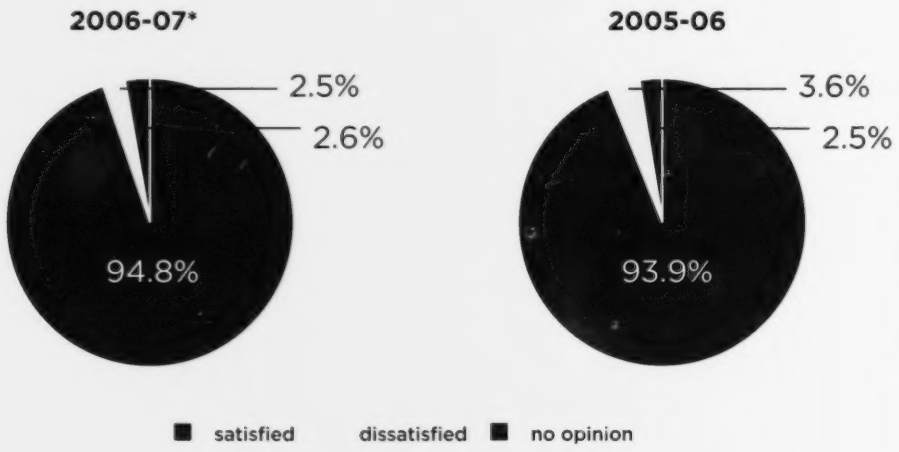
94.8 per cent of respondents were 'very satisfied', 'satisfied', or 'somewhat satisfied' that the charitable gaming activity they participated in was provided both fairly and responsibly. This is very close to the target of 95.0 per cent and slightly exceeds last year's result. Although this is the first time this measure is being reported on in the AGLC Annual Report, the AGLC has been collecting comparable data since 2004-05.

Albertans satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of Albertans surveyed who are satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.	95.0%	94.8%	N/A*	93.9%	94.8%	Comparative not available	

* This measure was introduced into the AGLC business plan in 2006-09. As such, no target is available for 2005-06.

Source: 2006-07 Survey of Albertans – Leger Marketing



* Chart does not equal 100% due to rounding

A gaming licence is required if a gaming event contains the following three elements:

- *Consideration (payment of anything to participate)*
- *Chance (random selection of winners)*
- *Prize (anything of value)*

Gaming

GOAL FOUR: Charitable gaming licensing activities are effective and efficient

PERFORMANCE MEASURE: Percentage of charitable gaming licences and registrations completed within established timeframes.

Under the Criminal Code and the *Gaming and Liquor Act*, charitable and religious groups must apply for and receive licences to hold casino events, bingos, raffles and pull-ticket sales. In 2006-07, the AGLC issued 5,115 licences for charitable gaming activities.

All gaming workers who are paid to help licensees in either operating a facility or conducting gaming activities must be registered by the AGLC. In 2006-07, there were 6,844 gaming worker registrations.

The timeframe for processing gaming licences and registrations is measured in days calculated from the date a complete application is received by the AGLC to the date the required licence or registration is issued. Different types of applications require different levels of approval and some applications may take longer than others to process, therefore different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established timeframes.

During 2006-07, 99.4 per cent of the 11,959 applications for gaming licences and registrations were processed within the targeted timeframes. This compares to 98.9 per cent for 10,737 applications the previous year. Changes to the business process for managing these applications have helped ensure a high success rate. An Eligibility Unit first determines if an application meets eligibility requirements, and then forwards the application to the appropriate staff, enhancing efficiency.

Gaming Licence and Worker Registration Applications Processed within Target Timeframes

	2006-07		2005-06		2004-05	2003-04	2002-03
	Target	Result	Target	Result	Result	Result	Result
Percentage of charitable gaming licences and registrations completed within established timeframes	98.0%	99.4%	98.0%	98.9%	98.9%	98.6%	98.3%

Source: Gaming Licensing System and Gaming Registration System

ALBERTA LOTTERY FUND

Licensing target response times for different gaming categories

Category	Target Response Time	Totals Processed 2006-07	Processed within Target Time Frame 2006-07	Totals Processed 2005-06	Processed within Target Time Frame 2005-06
Bingo Licences	**12 weeks**	**1,265**	**99.8%**	1,262	99.8%
Casino Licences	**12 weeks**	**3,259**	**98.1%**	2,904	97.2%
Pull-Ticket Licences	**4 weeks**	**295**	**96.9%**	228	88.6%
Raffle Licences	**8 weeks**	**296**	**100%**	327	100%
Gaming Worker Registrations	**6 weeks**	**6,844**	**100%**	6,016	100%
Totals		**11,959**	**99.4%**	10,737	98.9%

PERFORMANCE MEASURE: Percentage of charitable gaming licensees who are satisfied with the level of service provided by the AGLC.

Client satisfaction was measured by an independently administered survey of a randomly selected representative sample of charitable gaming licensees. The sample included 312 of 1,261 bingo licensees, 329 of 1,972 casino licensees, 212 of 444 pull-ticket licensees and 127 of 282 raffle licensees. The survey method ensured that charitable groups holding more than one type of gaming licence were surveyed only once. The results were weighted to reflect the relative size of each subgroup within the overall population of charitable gaming licences. There is a 95 per cent certainty that the results are accurate within ±2.7 per cent.

Clients were asked to rate their satisfaction with AGLC services in the previous 12 months. Overall, 94 per cent of respondents indicated that they were satisfied with AGLC service, slightly below the target of 95 per cent, compared to 95 per cent the previous year. This consistently high level of satisfaction demonstrates the responsiveness of the AGLC, notwithstanding the thousands of clients it serves on an ongoing basis.

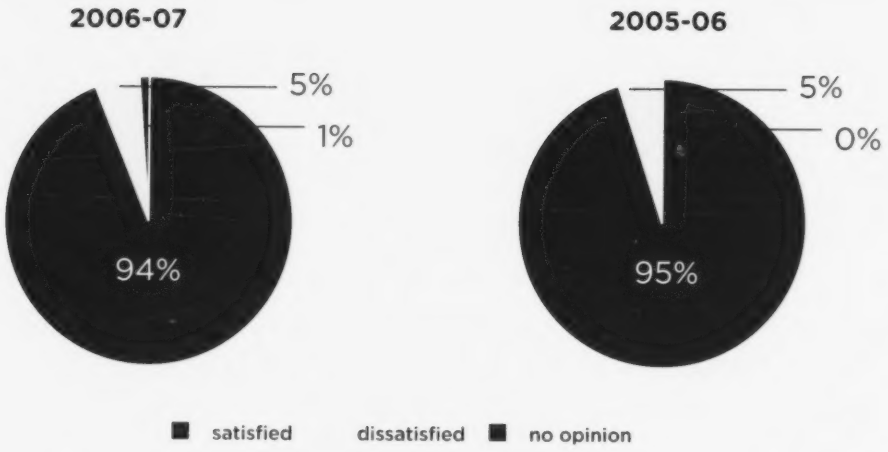
Percentage of Satisfied Clients

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of charitable gaming licensees who are satisfied with the level of service provided by the AGLC*	95.0%	94.0%	95.0%	95.0%	96.0%	97.0%	95.0%

* This measure was reworded in the 2006-09 AGLC business plan. In previous years, was been worded as "Percentage of gaming industry clients who are satisfied with the level of service provided by the AGLC." No changes were made to the methodology in 2006-07.

Source: 2006-07 Survey of Charitable Gaming Licensees - Leger Marketing

Gaming



GOAL FIVE: The availability and delivery of gaming products and activities are balanced with consumer demand, social responsibility, and economic benefit to Albertans

PERFORMANCE MEASURE: Percentage of Albertans satisfied with the availability of gaming products and activities.

Public satisfaction was measured through an independently administered survey of a representative sample of 1,000 Albertans. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to the population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

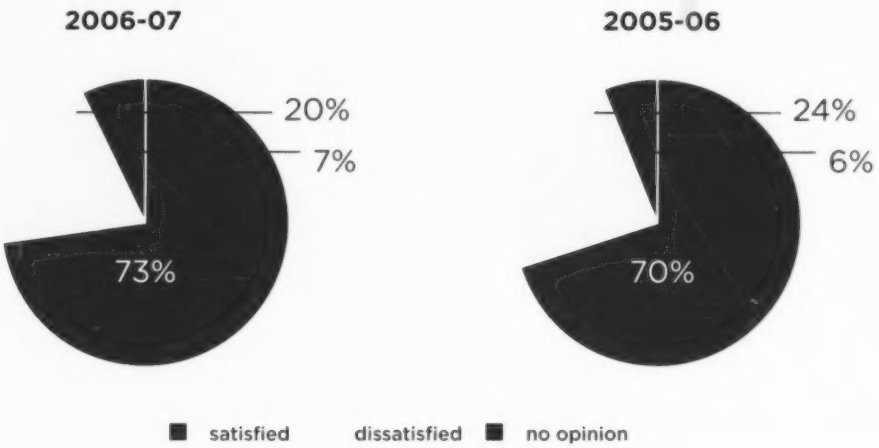
Seventy-three per cent of respondents were 'very satisfied', 'satisfied' or 'somewhat satisfied' with the available products and activities. This exceeds the target of 70 per cent and last year's result.

ALBERTA
LOTTERY FUND

Albertans satisfied with availability of gaming products and activities

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of Albertans satisfied with the availability of gaming products and activities	70.0%	73.0%	Increase over 2004-05 result	70.0%	72.0%	Not measured	

Source: 2006-07 Survey of Albertans - Leger Marketing



MILLIONAIRE Life

For the first time ever Millionaire Life, a national lottery ticket, was offered in the month of February 2007. Available only by Quick Pick and featuring a guaranteed winner of $1 million per year for 25 years, Millionaire Life also offered 14 early bird prizes of $100,000, four prizes of $1,000,000, twenty main draw prizes of $100,000, $1,000 prizes for matching 6 numbers in the exact order and $20 prizes for matching the last 2 numbers!

Gaming

PERFORMANCE MEASURE: Percentage of Albertans surveyed who are satisfied that the provincial gaming activity they participated in was provided fairly and in a responsible manner.

It is important that activities related to tickets, slots, VLTs and electronic bingo are conducted with integrity. This measure addresses integrity by determining how many Albertans are satisfied with the fairness and level of responsibility that these gaming activities were conducted with.

Public satisfaction was measured through an independently administered survey of a representative sample of Albertans. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to the population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

90.8 per cent of respondents were 'very satisfied', 'satisfied', or 'somewhat satisfied' that the provincial gaming activity they participated in was provided both fairly and responsibly. This meets the target of 85 per cent and also represents a small increase over last year's result.

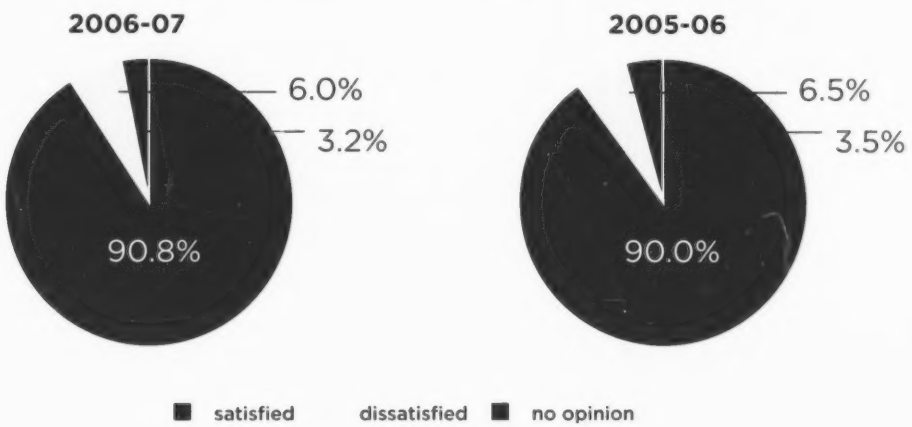
Although this is the first time this measure is being reported on in the AGLC Annual Report, the AGLC has been collecting comparable data since 2004-05.

High satisfaction with provincial gaming activity

	2006-07		2005-06		2004-05	2003-04	2002-03
	Target	Result	Target	Result	Result	Result	Result
Percentage of Albertans surveyed who are satisfied that the provincial gaming activity they participated in was provided fairly and in a responsible manner.	85.0%	90.8%	N/A*	90.0%	89.6%	Comparative not available	

* This measure was introduced into the AGLC business plan in 2006-09. As such, no target is available for 2005-06.

Source: 2006-07 Survey of Albertans - Leger Marketing



ALBERTA LOTTERY FUND

GOAL SIX: Gaming operations are effective and efficient and conducted with integrity

PERFORMANCE MEASURE: Percentage of retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries.

2003 Premier's Award of Excellence

To determine this performance measure, the AGLC's retailers' hotline and field repair services for gaming equipment are evaluated. In 2006-07, AGLC staff fielded approximately 137,000 calls to the retailers' Hotline, and almost 133,000 service calls were made to casinos, Racing Entertainment Centres (RECs), VLT premises and lottery ticket centres across the province, including electronic bingo and Keno. The technicians' work included activities such as maintaining and upgrading machines, and updating bill acceptor software to handle new currency.

Retailer satisfaction with these services was measured through an independently administered telephone survey of a sample that included 278 of 942 VLT operators, 327 of 1,316 lottery ticket retailers, 12 of 19 casino/slot machine operators, 9 of 18 electronic bingo operators, and 36 of 53 Keno operators. The results were weighted to reflect the relative size of each of the subgroups within the overall population of provincial gaming retailers. There is a 95 per cent certainty that the results are accurate within ±3.2 per cent.

Respondents were asked to rate their satisfaction with AGLC services received in the past 12 months. Almost all respondents (98 per cent) were satisfied with the overall service they received, compared to 99 per cent the previous year. Again, this continuing high level of satisfaction demonstrates the success of the AGLC's efforts to provide excellent customer service. In addition to surveying clients every year, the AGLC regularly incorporates changes to its business processes and practices to ensure it remains responsive to clients' needs.

Retailers satisfied with AGLC services

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries*	95.0%	98.0%	95.0%	99.0%	97.0%	98.0%	98.0%

* This measure was reworded slightly in the 2006-09 AGLC business plan. In previous years, it had been worded as "Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries." No changes were made to the methodology in 2006-07.

Source: 2006-07 Survey of Retailers - Leger Marketing

In 2006-07, there were 346 ticket lottery winners of $10,000 or more. 9 of these winners won $1 million or more!

Gaming

PERFORMANCE MEASURE: Percentage of gaming integrity issues resolved within established timeframes.

A key mandate of the AGLC is to maintain the integrity of gaming in Alberta. Gaming issues typically involve:

- Disputes about the operation of a gaming device;
- Credit disputes involving players or retailers; and
- Perceived illegal or unethical behavior by gaming retailers or players.

AGLC inspectors resolve the majority of these gaming issues. Issues that cannot be resolved are forwarded to the AGLC Response Team. The Response Team's goal is to resolve issues through fair and impartial review within 30 days. The team reviewed 174 issues in 2006-07, compared to 160 the previous year. Most (93.1 per cent) were resolved within 30 days.

Gaming issues resolved within 30 days

	2006-07 Target	2006-07 Result	2005-06 Target	2005-06 Result	2004-05 Result	2003-04 Result	2002-03 Result
Percentage of gaming integrity issues resolved within established timeframes	93.0%	93.1%	90.0%	90.0%	95.4%	96.2%	97.6%

Source: AGLC Gaming Products and Services Database

The result for 2006-07 is over three per cent higher than the result achieved last year. The increased score is attributed to a sub-committee which was formed to review files between regular meetings of the AGLC Response Team. The sub-committee reviews and identifies reoccurring issues for the Response Team, improving its efficiency.

There are approximately 65 AGLC inspectors located across the province who resolve the majority of gaming integrity issues. The AGLC Response Team is comprised of 14 members and meets bi-weekly to resolve any issues not resolved by inspectors.

Alberta Gaming and Liquor Commission

FINANCIAL STATEMENTS

2007

AUDITOR'S REPORT

To the Members of the Alberta Gaming and Liquor Commission

AUDITOR GENERAL *Alberta*

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 11, 2007

BALANCE SHEET

AT MARCH 31

(thousands of dollars)	2007	2006
ASSETS		
Current Assets		
Cash (Note 3)	**$ 237,380**	$ 138,346
Accounts receivable	**42,917**	29,153
Prepaid expenses and inventories (Note 4)	**11,298**	10,755
	291,595	178,254
Long Term Accounts Receivable (Note 5)	**379**	-
Property, Plant and Equipment (Note 6)	**203,547**	170,388
	$ 495,521	$ 348,642
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 139,402**	$ 82,512
Due to the Alberta Lottery Fund (Note 8)	**77,795**	61,716
	217,197	144,228
Due to General Revenues (Note 9)	**275,031**	200,760
Provision for Loss on Leased Properties (Note 14)	**3,293**	3,654
	$ 495,521	$ 348,642

The accompanying notes are part of these financial statements.

Approved by:

BOARD

Original signed by

Julian J. Nowicki
Chairman of the Board

MANAGEMENT

Original signed by

Norman C. Peterson, CA
Chief Executive Officer

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)	Budget 2007	Actual 2007			Actual 2006
	(Note 10)	Provincial Lotteries	Liquor and Other	Total	
REVENUE					
Gaming terminals	$	$ 12,618,563	$ -	$ 12,618,563	$ 11,036,721
Video lottery terminals		11,074,490	-	11,074,490	10,453,890
Liquor		-	1,856,939	1,856,939	1,655,594
Ticket lottery		578,252	-	578,252	508,195
Electronic bingo		36,582	-	36,582	28,188
		24,307,887	1,856,939	26,164,826	23,682,588
PRIZES AND COST OF PRODUCT					
Gaming terminals		11,620,738	-	11,620,738	10,172,734
Video lottery terminals		10,198,209	-	10,198,209	9,625,637
Liquor		-	1,195,318	1,195,318	1,052,628
Ticket lottery		300,509	-	300,509	258,414
Electronic bingo		24,510	-	24,510	18,616
		22,143,966	1,195,318	23,339,284	21,128,029
Gross Profit	2,522,072	2,163,921	661,621	2,825,542	2,554,559
Commissions and Federal Payments (Note 11)	(460,049)	(494,356)	-	(494,356)	(439,990)
Other Income (Note 12)	10,641	-	17,949	17,949	13,047
Operating Expenses (Note 13)	(201,757)	(135,731)	(21,299)	(157,030)	(141,846)
Net Operating Results	$ 1,870,907	$ 1,533,834	$ 658,271	$ 2,192,105	$ 1,985,770

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)	2007	2006
CASH FROM OPERATIONS		
Net operating results for the year	**$ 2,192,105**	$ 1,985,770
Decrease in provision for loss on leased properties	**(361)**	(361)
Amortization	**43,110**	38,601
Gain on disposal of property, plant and equipment	**(663)**	(350)
Net change in non-cash working capital balances	**42,583**	(8,170)
	2,276,774	2,015,490
REMITTANCES TO THE ALBERTA LOTTERY FUND	**(1,517,755)**	(1,367,851)
REMITTANCES TO GENERAL REVENUES	**(584,000)**	(568,000)
	175,019	79,639
CASH USED FOR INVESTMENT		
Long term accounts receivable	**(379)**	-
Purchase of property, plant and equipment	**(76,544)**	(43,847)
Proceeds on disposal of property, plant and equipment	**938**	978
	(75,985)	(42,869)
INCREASE IN CASH	**99,034**	36,770
CASH, beginning of year	**138,346**	101,576
CASH, end of year	**$ 237,380**	$ 138,346

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized gaming terminal, video lottery, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta, has a tax-exempt status for its liquor and regulatory operations.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

JOINT VENTURE

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

INVENTORIES

Gaming parts and supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Liquor inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES CONT.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	40 years or lease term
Gaming systems and equipment	10 years or 3 years
Video lottery and gaming terminals	7 years
Furniture and equipment	10 years or 5 years
Retailer fixtures and signage	5 years
Computer software	3 years
Vehicles	5 years or 3 years

Property, plant and equipment are not amortized until the assets are put into use.

PENSIONS

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

REVENUE AND EXPENSE RECOGNITION

Revenue from gaming terminals, video lottery terminals and electronic bingo is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to gaming terminals, video lottery terminals and electronic bingo are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold related to liquor is recognized on the same basis as the related revenues.

ALLOCATION OF OPERATING EXPENSES

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2007, securities held by the Fund have an average effective market yield of 4.36% per annum (March 31, 2006: 3.96% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 PREPAID EXPENSES AND INVENTORIES

(thousands of dollars)	2007	2006
Prepaid expenses	$ 4,803	$ 3,490
Gaming parts	5,770	6,550
Supplies	725	715
	$ 11,298	$ 10,755

NOTE 5 LONG TERM ACCOUNTS RECEIVABLE

The Commission has a long term receivable regarding leasehold improvements for a tenant. Payments are due monthly and include interest at an effective annual rate of 9.2%. The final payment is due April 2012.

(thousands of dollars)	2007
Total receivable	$ 453
Less current portion	(74)
Long term portion	$ 379

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2007			2006
(thousands of dollars)	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Land	$ 4,113	$ -	$ 4,113	$ 4,113
Buildings and leasehold improvements	53,348	41,501	11,847	11,713
Gaming systems and equipment	56,115	43,519	12,596	12,241
Gaming terminals	200,546	78,925	121,621	77,662
Video lottery terminals	81,401	40,808	40,593	51,711
Furniture and equipment	38,873	34,045	4,828	5,335
Retailer fixtures and signage	9,099	7,854	1,245	1,343
Computer software	19,616	13,240	6,376	5,767
Vehicles	2,860	2,532	328	503
	$ 465,971	$ 262,424	$ 203,547	$ 170,388

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 7 DEFINED BENEFIT PLANS

(thousands of dollars)

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,813 for the year ended March 31, 2007 (2006 - $2,464). The Commission's portion of the Western Canada Lottery Corporation pension expense is $616 for the year ended March 31, 2007 (2006 - $270).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of $6,765 (2005 - deficiency of $165,895) and the Public Service Pension Plan reported a surplus of $153,024 (2005 - deficiency of $187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of $3,698 (2005 - surplus of $10,018). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2007 is $2,514 (2006 - deficiency of $777).

NOTE 8 DUE TO THE ALBERTA LOTTERY FUND

This amount represents the portion of the revenues from provincial lottery operations which has not been remitted to the Alberta Lottery Fund.

(thousands of dollars)		2007		2006
Due to the Alberta Lottery Fund, beginning of year	$	**61,716**	$	40,512
Net operating results, Provincial Lotteries		**1,533,834**		1,389,055
Remittances to the Alberta Lottery Fund		**(1,517,755)**		(1,367,851)
Due to the Alberta Lottery Fund, end of year	$	**77,795**	$	61,716

NOTE 9 DUE TO GENERAL REVENUES

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(thousands of dollars)		2007		2006
Due to General Revenues, beginning of year	$	**200,760**	$	172,045
Net operating results, Liquor and Other		**658,271**		596,715
Remittances to General Revenues		**(584,000)**		(568,000)
Due to General Revenues, end of year	$	**275,031**	$	200,760

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 10 BUDGET

The Commission includes its annual budget, on a summarized basis, in its business plan. The summarized budget receives approval by the Minister responsible for the Commission on recommendation from the Commission Board and becomes part of the fiscal plan of the Government.

NOTE 11 COMMISSIONS AND FEDERAL PAYMENTS

(thousands of dollars)		2007		2006
Commissions				
Gaming terminals				
- Operators	**$**	**147,672**	$	127,935
- Charities		**139,257**		119,997
Video lottery terminals		**131,390**		124,154
Ticket lottery		**39,837**		34,665
Electronic bingo		**3,621**		2,872
		461,777		409,623
Federal Tax Expenses (a)				
Gaming terminals		**11,698**		10,456
Video lottery terminals		**9,825**		9,334
Ticket lottery		**3,908**		3,830
Electronic bingo		**464**		244
		25,895		23,864
Payment to Federal Government (b)		**6,684**		6,503
	$	**494,356**	$	439,990

(a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on gaming terminal, video lottery, ticket lottery and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

(b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 12 OTHER INCOME

(thousands of dollars)	2007	2006
Interest revenue	$ 7,506	$ 3,950
Licences	5,635	5,831
Miscellaneous	1,686	678
Liquor levies	904	707
Premises rental revenue	778	764
Gain on disposal of property, plant and equipment	663	350
Retailer service fees	600	588
Fines and violations	177	179
	$ 17,949	$ 13,047

NOTE 13 OPERATING EXPENSES

(thousands of dollars)	2007	2006
Salaries and benefits	$ 46,512	$ 42,381
Amortization	43,110	38,601
Leased gaming terminals	17,469	15,706
Data communications	10,611	9,903
Media and media production	7,537	6,727
Ticket printing	7,379	6,819
Equipment and vehicles	7,089	5,553
Fees and services	4,126	3,521
Travel and training	2,921	2,552
Property	2,529	2,539
Data processing	1,480	1,583
Stationery and supplies	1,346	1,308
Miscellaneous	1,267	848
Retailer relations	1,231	1,388
Freight and product delivery	1,190	1,204
Insurance and bank charges	974	1,002
Presentations and publications	167	123
Product expense	98	94
Overhead and other	(6)	(6)
	$ 157,030	$ 141,846

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 14 COMMITMENTS

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 25 years. Most of these former properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

(thousands of dollars)		
Fiscal	2007-08	$ 2,000
	2008-09	1,681
	2009-10	1,627
	2010-11	1,421
	2011-12	1,336
Balance to expiry		2,676
		$ 10,741

Estimated future revenues to be derived from subleases amount to $5.25 million at March 31, 2007. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 15 CONTINGENCIES

At March 31, 2007, the Commission is a defendant in 10 legal claims (2006 - 8 legal claims) having specified amounts totalling $143 million (2006 - $143 million). Included in the total claims are 5 claims in which the Commission has been jointly named with other entities.

The Commission entered into a lease amending agreement with a tenant on March 23, 2007. Under the terms of the agreement, the Commission has agreed to pay for certain capital investments up to $6.4 million and would also assume certain third party premise leases for the remainder of the lease term, if a significant change in the terms of the tenant's appointment occurs before February 28, 2012.

The resulting loss, if any, from these claims cannot be determined.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 16 SALARIES AND BENEFITS

(thousands of dollars)	Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	2007 Total	2006 Total
Senior Officers					
Chairman (e)	$ 228	$ 64	$ 10	$ 302	$ 294
Chief Executive Officer (d) (e)	202	104	11	317	242
Board Members	133	-	-	133	101
Executives					
Executive Director, Regulatory	148	33	34	215	192
Executive Director, Gaming Products and Services	148	25	34	207	187
Executive Director, Finance and Administration	122	22	30	174	153
Executive Director, Information Systems	121	23	28	172	160

(a) Base salary includes regular base pay.

(b) Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.

(c) Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.

(d) A full year's salary and benefits is shown for the CEO in 2007 and 2006 due to changes resulting from the Government reorganization announced in December 2006. In previous years, the Deputy Minister of Gaming also served as the CEO of the Alberta Gaming and Liquor Commission and a portion of the Deputy Minister's salary was allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spent on Commission business in 2006.

(e) Automobile provided, no dollar amount included in other non-cash benefits.

NOTE 17 JOINT VENTURE — TICKET LOTTERY OPERATIONS

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

(thousands of dollars)	2007	2006
Balance Sheet		
Current assets	$ 51,414	$ 34,252
Property, plant and equipment	8,699	9,024
	$ 60,113	$ 43,276
Current liabilities	$ 27,045	$ 22,012
Equity in joint venture	33,068	21,264
	$ 60,113	$ 43,276
Statement of Operations		
Gross profit	$ 227,432	$ 204,877
Operating expenses	(28,409)	(25,566)
Net operating results	$ 199,023	$ 179,311
Statement of Cash Flows		
Cash from operations	$ 199,759	$ 183,057
Cash used for investment	$ 2,149	$ 796

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 18 RELATED PARTY TRANSACTIONS

The Commission has the following transactions with Government of Alberta departments for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

(thousands of dollars)				2007	2006
	Expenses - Incurred by Others (a)				
	Accommodation Costs (b)	Legal Services (c)	Internal Audit (d)	Total Expenses	Total Expenses
Division					
Finance and Administration	$ 4	$ 47	$ 70	$ 121	$ 124
Regulatory		72		72	136
Gaming Products and Services		48		48	16
Social Responsibility		3		3	5
Commission Office		3		3	29
	$ 4	$ 173	$ 70	$ 247	$ 310

(a) Costs incurred by Alberta Infrastructure and Transportation, Alberta Justice and Corporate Internal Audit Services on behalf of the Alberta Gaming and Liquor Commission.
(b) Net costs for accommodation in St. Albert and Fort McMurray.
(c) Costs for legal services allocated on hours of service provided.
(d) Costs for dedicated internal audit services provided.

The Commission also had the following transactions with Government of Alberta departments recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

(thousands of dollars)	
Risk Management and Insurance	$ 240
Service Alberta	236
Infrastructure and Transportation	5
	$ 481

NOTE 19 COMPARATIVE FIGURES

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Alberta Lottery Fund

FINANCIAL STATEMENTS

2007

Alberta Lottery Fund

Audited Financial Statements

AUDITOR'S REPORT

To the Members of the Alberta Gaming and Liquor Commission

AUDITOR GENERAL *Alberta*

I have audited the balance sheet of the Lottery Fund as at March 31, 2007 and the statement of revenue, expenditure and fund equity for the year then ended. These financial statements are the responsibility of the management of the Lottery Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Lottery Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 11, 2007

ALBERTA LOTTERY FUND

BALANCE SHEET

AT MARCH 31

(thousands of dollars)		2007		2006
ASSETS				
Cash (Note 3)	**$**	**101,250**	$	104,613
Due from Alberta Gaming and Liquor Commission (Note 4)		**77,795**		61,716
	$	**179,045**	$	166,329
LIABILITIES AND FUND EQUITY				
Accounts payable (Note 5)	**$**	**126,270**	$	113,554
Fund equity		**52,775**		52,775
	$	**179,045**	$	166,329

The accompanying notes are part of these financial statements.

Approved by:

BOARD

Original signed by

Julian J. Nowicki
Chairman of the Board
Alberta Gaming and Liquor Commission

MANAGEMENT

Original signed by

Norman C. Peterson, CA
Chief Executive Officer
Alberta Gaming and Liquor Commission

STATEMENT OF REVENUE, EXPENDITURE AND FUND EQUITY

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)	Budget 2007 (Note 19)	**Actual 2007**	Actual 2006
REVENUE			
Proceeds from lottery operations (Note 6)	$ 1,300,155	**$ 1,533,834**	$ 1,389,055
Interest	6,000	**15,028**	8,840
	1,306,155	**1,548,862**	1,397,895
EXPENDITURE			
Transfers to Departments			
Advanced Education and Technology (Note 7)	103,957	**103,957**	97,238
Agriculture and Food (Note 8)	22,220	**22,220**	22,220
Children's Services (Note 9)	49,500	**49,500**	34,000
Education (Note 10)	129,100	**129,100**	127,600
Employment, Immigration and Industry (Note 11)	12,769	**12,769**	11,769
Environment (Note 12)	500	**500**	500
Health and Wellness (Note 13)	362,803	**362,803**	345,291
Infrastructure and Transportation (Note 14)	175,000	**175,000**	180,000
Municipal Affairs and Housing (Note 15)	26,000	**26,000**	24,000
Solicitor General and Public Security (Note 16)	1,600	**1,600**	1,600
Tourism, Parks, Recreation and Culture (Note 17)	306,220	**274,925**	262,134
Support to the Legislative Assembly (Note 18)	-	**-**	415
Contingency Allowance / Alberta Sustainability Fund	116,486	**390,488**	291,128
	1,306,155	**1,548,862**	1,397,895
Excess of revenue over expenditure for the year	-	**-**	-
Fund equity, beginning of year	52,775	**52,775**	52,775
Transfers to General Revenues	-	**-**	-
Fund equity, end of year	$ 52,775	**$ 52,775**	$ 52,775

ALBERTA LOTTERY FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 AUTHORITY AND PURPOSE

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission under the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives the proceeds from lottery operations (see Note 6) and makes payments therefrom in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The *Appropriation Act*, 2006 authorized payments from the Lottery Fund as approved in the 2006-2007 Estimates, and provided for flexibility in the amount applied from the Lottery Fund towards Contingency Allowance / Alberta Sustainability Fund so that the net revenue of the Lottery Fund would be zero at the year ended March 31, 2007.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective departmental financial statements.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

CASH FLOWS

A statement of cash flows is not provided as disclosure in these financial statements is considered to be adequate.

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values.

NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2007, securities held by the Fund have an average effective market yield of 4.36% per annum (March 31, 2006: 3.96% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 4 DUE FROM THE ALBERTA GAMING AND LIQUOR COMMISSION

This amount represents the portion of the revenues from lottery operations which has not been remitted by the Alberta Gaming and Liquor Commission (AGLC) to the Alberta Lottery Fund at year end.

(thousands of dollars)	2007	2006
Due from AGLC, beginning of year	**$ 61,716**	$ 40,512
Remittable from AGLC	**1,533,834**	1,389,055
Remittances from AGLC	**(1,517,755)**	(1,367,851)
Due from AGLC, end of year	**$ 77,795**	$ 61,716

NOTE 5 ACCOUNTS PAYABLE

Accounts payable consists primarily of outstanding payments to the Department of Finance for the Contingency Allowance / Alberta Sustainability Fund, with the balance representing outstanding net payments to the Department of Tourism, Parks, Recreation and Culture.

NOTE 6 PROCEEDS FROM LOTTERY OPERATIONS

Proceeds of provincial lotteries received by the Alberta Gaming and Liquor Commission are recorded as revenue of the Fund after the deduction of related operating expenses.

(thousands of dollars)	2007	2006
Income from video lottery terminals	**$ 735,066**	$ 694,765
Income from gaming terminals	**699,198**	605,599
Income from ticket lottery	**227,314**	204,783
Income from electronic bingo	**7,987**	6,456
Less operating expenses	**(135,731)**	(122,548)
Proceeds from lottery operations	**$ 1,533,834**	$ 1,389,055

ALBERTA LOTTERY FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 7 ADVANCED EDUCATION AND TECHNOLOGY

Transfers to support post-secondary education, scientifiic initiatives and communication initiatives:

(thousands of dollars)		2007		2006
Research Capacity	$	**21,914**	$	22,453
Energy Research		**19,200**		15,530
Post-Secondary Facilities Infrastructure		**16,000**		16,000
Community Education		**15,600**		15,600
Life Sciences Research		**14,405**		11,635
Information and Communication Technology Research		**11,438**		10,620
Achievement Scholarships		**3,100**		3,100
Learning Television		**2,300**		2,300
	$	**103,957**	$	97,238

NOTE 8 AGRICULTURE AND FOOD

Transfers to enhance improvement in agriculture, horticulture, and the quality of life in the agricultural community:

(thousands of dollars)		2007		2006
Agricultural Initiatives	$	**11,620**	$	11,620
Agricultural Service Boards		**10,600**		10,600
	$	**22,220**	$	22,220

NOTE 9 CHILDREN'S SERVICES

Transfers to support the family and community in Alberta:

(thousands of dollars)		2007		2006
Family and Community Support Services	$	**45,000**	$	30,000
Prevention of Family Violence and Bullying		**4,500**		4,000
	$	**49,500**	$	34,000

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 10 EDUCATION

Transfers to support primary education:

(thousands of dollars)	2007	2006
Public and Separate School Support	$ 60,800	$ 61,300
School Facilities Infrastructure	58,000	58,000
High Speed Network	8,000	6,000
Learning Television	2,300	2,300
	$ 129,100	$ 127,600

NOTE 11 EMPLOYMENT, IMMIGRATION AND INDUSTRY

Transfers to assist in job creation and to support the disabled, summer students, and immigrants in their search for employment:

(thousands of dollars)	2007	2006
Summer Temporary Employment Program	$ 8,195	$ 8,195
Immigrant Support Services	4,574	3,574
	$ 12,769	$ 11,769

NOTE 12 ENVIRONMENT

Transfers to support environmental awareness:

(thousands of dollars)	2007	2006
Educational Awareness	$ 500	$ 500

ALBERTA LOTTERY FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 13 HEALTH AND WELLNESS

Transfers made in support of health and wellness initiatives, including to the Alberta Alcohol and Drug Abuse Commission:

(thousands of dollars)	2007	2006
Health Facilities Infrastructure	$ **150,000**	$ 140,000
Human Tissue and Blood Services	**110,000**	130,000
Alberta Alcohol and Drug Abuse Commission	**82,803**	62,916
Community-based Health Services	**20,000**	5,000
Health Services Research	**-**	5,175
Aboriginal Health Strategies	**-**	2,200
	$ **362,803**	$ 345,291

NOTE 14 INFRASTRUCTURE AND TRANSPORTATION

Transfers to enhance transportation and water infrastructure:

(thousands of dollars)	2007	2006
Provincial Highway Rehabilitation	$ **55,000**	$ 20,000
Rural Transportation Partnerships	**40,000**	50,000
Alberta Cities Transportation Partnerships	**25,000**	35,000
Streets Improvement Program	**25,000**	25,000
Water for Life	**25,000**	25,000
Infrastructure Canada-Alberta Program	**5,000**	5,000
Water Management Infrastructure	**-**	20,000
	$ **175,000**	$ 180,000

NOTE 15 MUNICIPAL AFFAIRS AND HOUSING

Transfers to enhance support for municipal initiatives:

(thousands of dollars)	2007	2006
Unconditional Municipal Grants	$ **14,000**	$ 12,000
Municipal Sponsorship	**12,000**	12,000
	$ **26,000**	$ 24,000

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 16 SOLICITOR GENERAL AND PUBLIC SECURITY

Transfers made to support gaming research:

(thousands of dollars)	2007	2006
Gaming Research	$ 1,600	$ 1,600

NOTE 17 TOURISM, PARKS, RECREATION AND CULTURE

Transfers to support culture, multiculturalism, sports, recreation, municipal and community initiatives, and the volunteer sector:

(thousands of dollars)	2007	2006
Horse Racing and Breeding Renewal Grant Program	$ 41,767	$ 41,599
Community Facility Enhancement Program	38,500	38,500
Centennial Legacy Grants	35,000	30,000
Community Initiatives Program	30,000	30,000
Alberta Foundation for the Arts	22,084	32,534
Alberta Sport, Recreation, Parks and Wildlife Foundation	20,470	17,670
Alberta Film Development Program	14,850	-
First Nations Development Fund Grant Program	14,220	-
Other Initiatives	11,088	14,673
Calgary Exhibition and Stampede	10,350	10,350
Edmonton Northlands	10,350	10,350
Wild Rose Foundation	8,116	7,766
Alberta Historical Resources Foundation	7,787	7,087
Bingo Associations Grant Program	5,718	4,475
Major Fairs and Exhibitions	2,660	2,660
Human Rights, Citizenship and Multiculturalism Education Fund	1,465	1,265
Hosting Major Athletic Events	500	2,175
Disaster Relief	-	10,000
Cultural Facilities and Historical Resources Grants	-	1,030
	$ 274,925	$ 262,134

ALBERTA LOTTERY FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 18 SUPPORT TO THE LEGISLATIVE ASSEMBLY

Transfers to support the Legislative Assembly:

(thousands of dollars)	2007	2006
Legislative Assembly Centennial Programs	$ -	$ 415

NOTE 19 BUDGET

The 2007 budgeted expenditures were authorized in total by the *Appropriation Act*, 2006 on May 24, 2006. Certain budget figures have been reclassified to reflect the Government reorganization that occurred on December 15, 2006.

NOTE 20 COMPARATIVE FIGURES

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

CONTACT INFORMATION

For additional copies of this annual report check the AGLC's website at **www.aglc.gov.ab.ca** or contact:

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